BACKGROUND to globalisation

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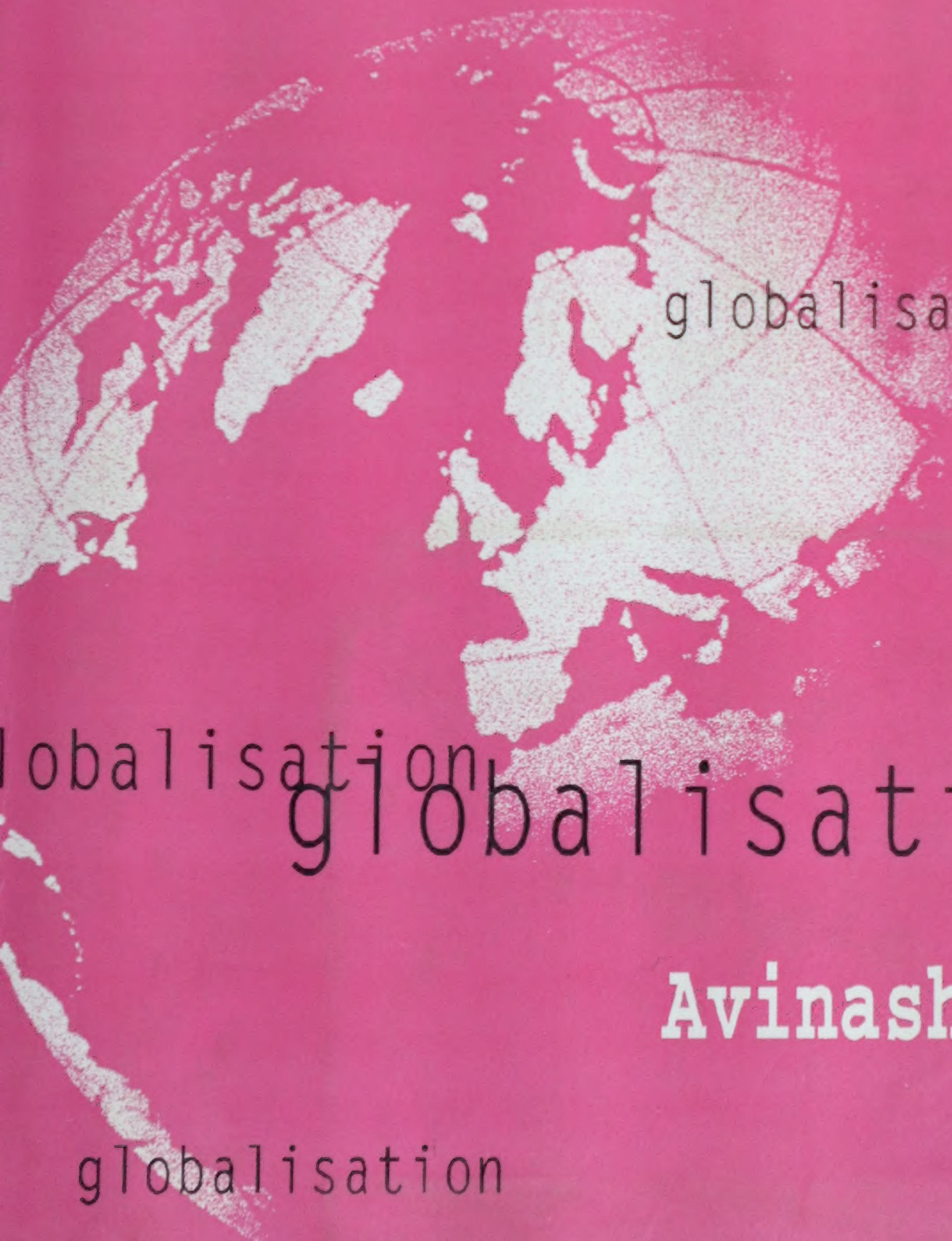

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Avinash Jha

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PREFACE

This book comes to you from the Centre for Education & Documentation (CED), DOC-CENTRE to most of you. As documentalists and as an organisation in the voluntary sector concerned about development and justice issues, we share and disseminate development information.

This we have been doing in various ways. You can of course come to CED, refer to the clippings files meticulously culled out from newspapers, and grey literature over the last twenty years, or access the catalog of reports, books, videos and some journal articles.

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We also have DOCALERT, a monthly subject-wise listing of important books reports and clippings sent to you by email. Select what you want and we'll send it to you. You can also check our catalog in our website www.doc-centre.org.

This book represents another effort to reach out, especially to those among NGOs, and people's organisations who find it difficult to figure out where to start reading on important topics that concern us. We give a background to the issues in simple, but not simplistic terms. We must say that our attempt has not been to be the final word or to present an exhaustive treatise on the subject. They are

just beginnings of explorations. Our attempt is to point out to available readings and references. Each of these references are available at CED. We hope that this will help you read further.

This book is part of an initial series of three backgrounders: this one on Globalisation, and the other two, on NGOs and on the Women's Movement. The form used in each of the books is different. Further backgrounders, if any, will depend on the feedback we will receive.

We are grateful to SWISSAID for funding this project.

The CED Team.

Introduction

DREAM OF A HOMOGENOUS AND HAPPY WORLD?

Suppose we imagine that the so-called developing countries collectively decide to secede from the world economy. Do we imagine that the people living in these countries do not have the resources of knowledge, nature, food, industry and ingenuity to sustain themselves in conditions of material ease and cultural fulfillment? An underlying assumption of a lot of talk about globalisation is that it is not possible for these countries to survive and prosper without being integrated into the global economy.

We believe that all the so-called underdeveloped nations of the world which are struggling to survive would be able to do so - if not each separately, then by coming together.

But is it possible for the developing countries to do so in the current situation? Globalisation is a reality (rather, the new form of a reality which has existed for a longer time) which makes the above scenario extremely improbable and difficult, if not impossible. First of all, struggling nations would not come to each other's help. Every nation does not shape the global world order. Weaker nations just try to negotiate a place for themselves as best as they can, and very often at the expense of other weaker nations too.

If India unilaterally refuses to pay its debts to the industrialised world, a bit of persuasion will be followed by threats and sanctions

much more stringent than what followed the nuclear tests. Other nations will weakly comply with the decisions of powerful nations to punish India. Some nations will exploit the situation and they will be armed and supported by the global elite to disrupt life in India. Certain states in India which are already feeling marginalised will seek to dissociate from India. India would behave in the same fashion if her neighbour were the object of punishment.

People at the helm of affairs in these struggling countries would not really want to refuse to pay debts since they have no hope of changing the world order in any significant way. Moreover, these people have an interest in becoming part of the global dominant class. Of course, these powerful people face dilemmas at every step of globalisation. In India, many top industrialists (the so-called Bombay Club, for example) are trying to influence the economic policies in such a way that they are not swept off their feet by the onslaught of the much more advanced and powerful global industry. They want to negotiate a comfortable space in the new scheme of things. The Indian press, on the whole, is a votary of the globalisation processes but resists the entry of foreign press in India. So they have some choice in how to become a part of the processes of globalisation. Most people do not have much choice. People and institutions are changing themselves to cope with globalisation. Some people organise, some organisations resist, but globalisation is marching ahead.

Now suppose the industrialised, developed nations of the world decide to close themselves off from the rest and they interact with one another. Even for the developed world, it won't be possible to secede in the current situation. While the compulsions for third world countries to remain a part of global economy are more of a political kind, for the developed, industrialised countries, it is more fundamental. The kind of network of natural resources from all over the world their industrial system survives on will be difficult to replace without a fundamental transformation in the whole system. Their financial systems also may come crashing down.

But, it may be asked: is globalisation so bad after all? The situation before globalisation was certainly not very satisfactory. The path of self-reliant modernisation and industrialisation was wrong, one might argue. It may be that the market really works. It has worked for Europe, America and Japan. Planning did not work for Soviet Union and its allies. So let us change ourselves to sell better and buy better and prosperity will slowly come. We will become more cosmopolitan, modern and rise above narrow communitarian, communal and national identities. All will have opportunity to succeed through their labour and intelligence. We will have more amenities, more abundance and democracy too. In any case, globalisation is not in our control, or so we are told. This is the dream of globalisation many of us are sold on. It may be as imaginary as our earlier imaginary situations.

When we speak of globalisation, we refer to the changes taking place before and subsequent to the collapse of communist governments in the Soviet Union and eastern Europe. It is not merely the economic changes we want to speak of, but all the interrelated changes in the political, military, cultural and social spheres too. Economy in some way constitutes the core of the processes of globalisation.

Globalisation refers to the integration of national economies leading to the notion of a borderless global or planetary economy. It can be visualised as an interwoven net of factories, fields and forests, banks, governments, labouring and farming populations, cities and transport spread over the surface of earth.

The process of integration is not like various national economies integrating more and more with the neighbouring economies and slowly evolving into a global economy, thereby rendering the national boundaries less and less significant. The national boundaries as drawn largely during colonial times are firmly in place even now and so are the governments controlling those territories. Each nation has an army to defend these borders. The United Nations is formally committed to maintain the integrity of this international nation-

state system with the backing of all powerful nations. The Soviet Union was allowed to disintegrate into fifteen different countries but this did not alter the basic international system.

Globalisation as it is taking place now has at its root global economic arrangements that were evolved in the process of European trade expansion and the conquest of new lands like the Americas. This started in the 15th and 16th centuries and finally culminated in the domination of non-European people and lands through some form or other of colonialism. This period is also characterised by the rise of the modern state followed by the rapid industrialisation of Europe.

Now we have advanced, heavily industrialised countries with higher standards of living, modern amenities, relatively less poverty, and combined military power of immense proportions. A process of integration among the economies of these countries has been taking place since the Second World War. These countries come together frequently to review global developments in what are called G-8 meetings.

This group of eight consists of the U.S., Britain, France, Germany, Italy, Canada, Japan and Russia. These are the economies that account for the major part of the depletion of natural resources from all around the world. They create most of the new technology, control most of the banks, including the IMF and the World Bank and have decisive power in the Security Council of the United Nations. Most of the multinational corporations come from these countries. These developed countries and multinational corporations based there together constitute an economy with a global reach by themselves. Their network of supply of raw materials, human power, finance and technology involved in the production and distribution of goods and services is spread over large parts of the globe. How else can it be possible for 20% of the earth's population to be consuming 80% of the earth's natural resources? Even in the age of superpower rivalry between the Soviet Union and the U.S., these patterns persisted.

Third world countries attempted to industrialise fast after independence from colonialism, but found themselves dependent on these advanced countries, who were also the former colonial masters in many cases, for technology, money, expertise and arms. Slowly, they found themselves heavily indebted to these countries and to international institutions like the IMF and the World Bank.

The aim of this book is to provide a basic understanding of all these processes associated with globalisation to those of us who may not be familiar with the terms and concepts one usually encounters in books and newspapers and, more importantly, to explore the realities behind these terms and concepts. We have concentrated more on the decision-making and formulating of policies by the various players and how these translate from economic sphere to broader social and political changes, and from social and political sphere to the economic realm. We have not focussed on the impact of globalisation on different sections of society or on the environment, because there is already much material available on these subjects.

I. Globalisation, Markets and Changing Lives

1. Globalisation, Markets and Changing Lives

GLOBAL MARKET

One of the most basic reflections of the processes of globalisation in our lives is the nature of things we use. Whether it is necessities like food, clothing, housing, medicines or whether it is other items of comfort or entertainment all these products come to us through a network of global proportions. The raw material may have been extracted in one country, the knowledge of processing this raw material may have been invented in another country, it may have been actually processed in yet another place with the help of labour supplied from different places, the money for investment may have come from an altogether different place. A variety of institutions – public and private – network to provide us our daily needs and wants.

It is impossible to pinpoint the producer of our goods and providers of our services, or the place where it was produced. Mostly, a company or corporation takes the credit for producing goods and gives them a brand name. So the jeans will be Levi's, the food Kellogg's, photocopying will be Xerox. The companies are the producers and we are the consumers.

This does not mean that we take no part in the production. In fact, another major change in the lives of people is that they all earn their livelihood by being a part of this global network. All our incomes are from prices that everyone pays as consumers. As a matter of fact, all our incomes **are** prices; because we sell our

labour power. We bargain and haggle for the highest price with those who bargain and haggle to buy our labour at the lowest possible price.

We tend to become, are encouraged to become, individuals always looking out for a good deal, always looking for a profitable contract. Our relationships with our work and with the people we work with change. We compete with them for the limited avenues of promotions that are available. These traits are, of course, not something new created by the new economic system, but they are the traits considered normal and healthy in societies dominated by the market economy.

When we are forced to sell our labour power, our capacities, our creativity for a price, what happens to our relationship with ourselves? Whatever profit we earn from selling our labour power, after we have taken care of our survival and comfort needs, we still feel inadequate. There are 'higher' goods which are on the market, which we do not have. We want the status associated with the ownership of such goods. Once we have those goods, we feel the need to display them. This creates envy in others and a desire for similar things. The whole culture promotes the acquisition of goods and their display as symbols of social status, or in other words, consumerism.

Of course, most people in a market economy do not become completely devoid of other values. Nevertheless, such an environment in society does affect most of us to different degrees. We must remember that there is a lot of glitter with which the world of goods is presented to us. The lure of the glitter makes us push away the pain of alienation from ourselves and from others. Such a world of unattained and unattainable goods may also drive people to despair and random violence.

People, institutions and companies who work to produce and market goods are involved in complex relationships among themselves. People who labour in farms, factories, mines, the employers they

work for, the laws which govern their relationship, the governmental machinery which makes and implements the law and order, the contractors, the retailers, and the buyers – all of these relate to each other only through the motive of gain or survival. Marx argued that there is a deeper pattern of relationships in the market society, which he called the capitalist society. These are relations of production'. The labouring classes, the people who are forced to sell their labour to survive, are always up against the capitalist class. The capitalist class owns the means of production – the land, the factory and the machines - and even the government acts in the interest of this class.

Capitalists act to increase their profits. In the process, they may be competing with each other. But it is vital for them that the pattern of the economy does not change, and this is the shared interest of all capitalists. Hence, they act as a class to maintain the status quo.

THE CREATION OF NATIONAL MARKETS BEFORE GLOBALISATION

We mentioned earlier that the articles of use or display that we buy in a globalising economy come to us from a plethora of sources and locations and this was true of the products in the developed countries even before globalisation.

The goods bought and sold in the third world countries were also undergoing a transformation in their nature even before globalisation. The development of national economies made it possible for us to buy goods whose production was organised on a national scale. These third world countries were attempting to industrialise. There were new items not in use before, which came in widespread use. More importantly, many of the daily items of use which were locally produced were replaced by industrially manufactured goods.

This was a two-pronged process. On the one hand, there was an attempt to produce goods earlier imported, in the country itself.

Such a policy thrust is known by the name of import-substitution. This also involves limiting the imports in order to promote the consumption of goods produced by local industry. One way of curtailing imports from foreign countries is by imposing high tariffs on imported goods. This drives up the prices of imported goods. Another way for the government is to restrict the amount of particular goods that can be imported – the so-called quantitative restrictions (QRs). Indian governments have used both these kinds of policies in order to protect and promote domestic industry.

The second, and perhaps more far-reaching, dimension of economic development policies was to enhance economic integration at the national level. This led to the creation of a national market. This happens when more and more goods are produced for consumption in the national market. The economy is being managed at the national level. What matters ultimately is the national interest as a whole.

National interest is a complicated phenomenon. It has one obvious meaning as the interest of the people constituting the nation. But it is extremely difficult to decide what is in the interest of people as a whole. National interest always has reference to other nations as well, national interest vis-à-vis the interests of other nations. This is equally difficult to define. National interest cannot be defined neutrally. It depends on who or which class of people is defining it. It depends on the visions, values, outlook and economic interests of the people who define it.

A nation tries to organise its economy on a national scale in order to perform a two-sided task. The development of a strong economy, on the one hand, is supposed to raise the standards of living of people. On the other, it increases national power in the international arena. If we look at European history, the birth of 'National Economy' is closely linked with use of international trade to enhance national power. International trade was frequently seen as the continuation of war by other means.

The creation of a strong national economy involves the breakdown of local and regional economic patterns and their replacement by modern national and international economic patterns.

This process can also be called modernisation. Modernisation has the connotation of scientific and technological development, but it is integrally linked with the modernisation of the economy itself. The production of goods has to be organised in a modern way. This does not merely involve replacement of one technical process by another. The technical process comes along with the whole network. Original producers are displaced, and the link between them and the raw materials is disrupted, the sources of finance change. For example, in the course of modernisation in India, trees from forests were made available to the paper industry at extremely low costs. People who made things from bamboo from forests had to pay high costs for the same.

So not only were the goods made by bamboo-artisans slowly being replaced by modern ones, it became more difficult to get the raw material for their work. Many of them were forced to give up their original work and look to sell their labour to the new producers. Other artisans face the same fate. If we look at agriculture, the green revolution was considered important for the national food security. Wheat from Punjab was feeding people in large parts of the country. It brought changes in Punjab and those parts of the country where this food was reaching, much beyond what a mere technical process can do. The food habits of populations and cropping patterns in many parts of the country changed. In Punjab which was the centre of green revolution, smaller farmers were impoverished and their livelihoods destroyed.

A new economy is created and the old economy is destroyed. Along with the old economy, the society and culture are also transformed and not because new products are available. It is because the new economy requires the institutionalisation of a different set of motives, skills, activities, social relations and the new institutions and arrangements are closely linked with the larger socio-economic patterns of a national or international kind.

This process affects different sections of people in different ways. It depends on who has the power to negotiate the pace and kind of change. For example, Brahmins in certain regions in India found it easier to make use of modern educational facilities since traditionally they possessed intellectual skills of a formal kind. The modern economy demands such skills. Artisans, belonging to lower castes, have different kinds of knowledge and skills which become irrelevant to the modern economy. Hence they have no choice but to become labourers, while Brahmins have managed to find a place in the middle-classes. Groups which own large amount of land perhaps start some enterprise and send their children to best schools and colleges. But even among the Brahmins and the landowners, there will be those who will refuse to change and be destroyed.

In this way, national markets were being created in third world countries before the advent of globalisation. In the absence of such a modernisation of the economy, the goods produced in the world economy would not have found consumers.

The integration of the national economy is, however, nowhere near as complete as the modernisers would have liked it to be. Whether we call it the informal sector or the traditional sector, it fulfills the needs and wants of a large number of people. It produces for the local market and not for the national and international markets.

Globalisation is taking this process of the destruction of local production and local markets forward. In the wake of globalisation, there are moves to squeeze this sector out. In the cities, we see the campaign to clear up the pavements of hawkers. On the other hand, all the national and international companies have made concerted efforts in rural marketing to reach their goods to the furthest corners of the country.

Modernisation and Traditional Oppressive Relations

Since the modernisation of the economy involves the destruction of old relations and values, many people see a liberating potential

to it. They argue that the relations oppressive for women and lower castes are broken down. While one can not deny this, one cannot be assured that new forms of the old oppressive relationships do not come into existence. It is not necessary that new oppressions come without the old ones. The need for women's incomes for the family has led to many women going out and working for wages. It has also increased the opportunity for women to get education. But most women who go out and work still have to do all the housework. Since they have to do all housework, women have to cut corners sometimes at their work place. It is easy for their colleagues to say that women are not good workers. Women are encouraged to join only certain professions. They are paid lower wages than men for the same kind of work. They continue to face forms of sexism like sexual harassment at the workplace. The specific cultural mode of globalisation in India (Hindutva) demands their subordination into traditional roles.

The modern economy brings about a division between economic activity and non-economic activity. It excludes from the economic sphere all activities which do not involve prices, wages and incomes, no matter how important these activities may be to the sustenance of the family, community and society. So the housework and outside work that women do and work that people do for each other in a community are not recognised as being important, since these do not contribute directly to national economic growth.

> National economic growth is measured by the growth in Gross National Product (GNP). GNP measures the produce of a nation in terms of their prices on the market, i.e., in terms of their money-value. Modern economy seeks to turn all non-monetary activities (not involving exchange of money) into monetary activities. This will contribute to economic growth as it is defined by modern economics.

The women's movement has contributed to an awareness of this devaluation of women's work. Feminists have been questioning whether to demand income for the unrecognised work that women

do at home or to demand that men share in that work. Getting wages for housework means the penetration of all human spheres by market forces which is oppressive in itself. That is why the emphasis of the women's movement is on sharing of housework by husbands and others in the family.

The modern economy and especially the modern market economy also tends to replace all activities of mutual help in communities by mutual bargaining or monetized relationships. For example, when a marriage function has to be organised, previously most of the work was done with the help of relatives and community. Now all the goods and services required can be bought from the market. Of course, there were priests to be paid in cash and kind earlier also. While the traditional requirement of elaborate functions may itself be quite oppressive, it may be more of a burden without the community's help.

COMPETING MODELS FOR THE NATIONAL ECONOMY

There were three competing models for organising national economies before the advent of globalisation. The market economy or the capitalist economy is supposed to be regulated by market forces. Supply of goods and their prices are determined by the demand for those goods. When we say demand here, we do not mean what people want to buy. What is meant is what people are willing to buy and are capable of buying.

Capitalists invest money in factories and establishments to produce goods or services. They pay for the machinery and the wages of workers. If there is no demand for the goods that are produced, they will be out of business. Otherwise, they will flourish on the profits they make. How much money is invested for what kind of production and at what prices they are sold are determined by the demand. This is how the market allocates resources.

The prices of raw materials needed for production, the prices of machines, wages of workers – all these are determined by the

market mechanism in a capitalist economy, at least in theory. If there are a large number of unemployed people, the wages will go down. The developed nations of Western Europe, North America along with Australia and New Zealand have been market economies.

Soviet Russia pioneered a competing model subsequently adopted by other East European countries and some third world countries too. They were planned economies where the central government controlled and made all decisions regarding production and distribution of all goods and services. The idea here was that the development of economy if left to the market forces would be distorted. Private investors would always look for profitable enterprises. They would not be concerned with the long-term view, nor would they be concerned with people who are unable to buy even necessities.

Most third world countries when they became independent from colonial rule adopted at least some degree of planning to promote industrialisation. India adopted what is known as a mixed economy pattern – a mix of planning and market economy patterns.

Among these three groups of countries, the communist countries were relatively separate as economies from the rest of the world. But there were deep and enduring links between the economies of third world and that of the western countries, continuing from colonial times.

When we talk of capitalist economies and planned economies, we should remember that these are rough descriptions. Within capitalist economies, one finds important areas of planning. The armaments industry of the USA is very much like a planned sector of the economy. The government finances and organises well-directed research, the results of which are used by private companies to manufacture arms, sometimes with government subsidies. The products are eventually bought back by the government. Moreover, when we look at multinational corporations, their operations depend entirely on planning. But since the goals of these corporations are

relatively simple – to maximize their profits in the short and long terms – and pressures of accountability hardly exist, the planning exercise for them becomes simpler. When you plan for a nation's development, the planning exercise becomes immensely complex.

National Economic Policies

Before the era of globalisation, third world governments had a large manoeuvering space in the formulation of national economic policies. Structural Adjustment Programmes (SAPs) made inroads into this arena by making aid conditional on the carrying out of certain economic policies. These programmes make their first appearance in countries of Latin America, the Caribbean and the Philippines.

Now that the production and distribution in third world countries are more directly linked with the global economy without the mediation of national governments, we should not assume that national policies do not play a role any longer. Earlier the national policies followed from an overall framework of national development and negotiated with international pressures. Now that there is a consensus on overall liberalising and globalising, policies are formulated more in terms of sectors and segments keeping in view the international situation in those sectors and segments.

The most important policy decisions are now made regarding telecommunications, foreign investment, power, devaluation and so on. Governments still play an important role in the speed with which the policies change. Even when the direction of change may be more or less inevitable in a given circumstance, the speed at which the change occurs is important for the people and institutions who are going to be affected by it. That is why we keep hearing a continuous chorus on the speed and progress of reforms from the national press and international agencies.

There are various interests, influences and compulsions – internal and external - working in the precise formulation of policies. Even

specific projects become important as policy matters. First of all, there are the World Trade Organisation (WTO) rules and commitments which national governments have already agreed to abide. These rules have come about through complex processes of negotiations and pressures. As we know, the WTO negotiations still continue and the matter is not closed. There are newer rules to be negotiated and implemented. Even here the timeframe of implementation is of importance.

Transnational corporations and their parent countries jockey with one another and against other local interests - local business interests from private and public sectors and local political interests. Governments in power have to think of their vote-banks and election funds. Then there are the adverse effects that prevailing policies may have on communities and the environment, and the movements and organisations protecting these interests. Governments also have to contend with their own financial situations, debt repayments.

National governments though would not like to admit that they have given up their independence with respect to overall policy. The adoption of liberalisation and globalisation policies was essentially a crisis-driven response. Post-independence economic policies had failed to address the problems of the majority of citizens while at the same time pushing these countries into large amounts of debt to the developed world. Governments had to bow to international and growing national pressures from the elite classes. They could not have acted otherwise without threatening their own power base. But they never tire of presenting these policies as the greatest virtue and claiming that these are the only ones that will lead to prosperity.

Governments may have lost (or chosen to lose) their sovereignty in deciding the path of development they will follow for the nation as a whole, but their role in economic policy is by no means over in the foreseeable future. The powerful international interests also realise that national governments have their compulsions and are

willing to accommodate the needs of national elites. They do not want a social conflagration either. National governments and they are partners in the process.

Anyway, the point is that there is possibility of influencing government policy.

MEANINGS OF ECONOMY

One would not have heard anything about globalization before 1985. The existence of the global economy, though, is much older. The global economy functioned even when there were different types of national economies in the world. Before we go on to trace the emergence of national economies and the global economy, we need to pause and wonder what exactly do we mean by 'economy'.

The economy is concerned with that aspect of life, which is involved with the producing, using and consuming of goods. An economy must refer to a group of people and/or to a place – a society, a nation, a tribe, a city, a village. How the activities of production, use and consumption are organised in a society or nation or a tribe describes the economy. A society must use the resources of the earth to produce anything at all. How they use these resources is an integral part of the economy. Moreover, when a society produces goods for use and consumption, there is always some kind of division of labour. Some people grow food, some make other articles of use, and some hunt, and may be some just lord over the rest. These goods have to be redistributed among the people. This redistribution is also an essential part of an economy.

An economy, to be called an economy, must have an integrating factor that distinguishes it as one economy among others. A social or political system that constitutes a unit has provided the integrating factor for much of history. Sometimes, sharing of a common earthly habitat provides the integrating factor. Today, the global economy is supposed to provide the integrating factor for people living all over the world. In contrast to earlier times, when the economy was

embedded in society, today we have a situation where societies seem to be embedded in the global economy.

There is another root meaning of the word economy, traces of which can be found in our use of 'economizing', or when we speak of an 'economy of space' or 'economy of words'. It has the connotations of simplicity and of making the best of what is available. It is a term, which attaches a value to economy, its opposite would be wasteful. This is a meaning far from the usual everyday use of the term today when we talk of economic policy, economic performance.

Everyday use of 'economy' today is also not the same as the pattern of production, use and consumption of goods as we have defined earlier. Today's usage is more to do with the creation of wealth - of nations, of individuals. Economic performance is linked to the production of more goods, or more riches. Economic growth is fundamental to this way of looking at the economy and also the performance of economies with respect to other economies. In this sense, there is a gulf between economies and societies. We will discuss these things as we go along. At present our attention is on the fact that the modern economy grew within the social institution of the state.

State and Nation

Over the course of history, different peoples have developed very diverse political, economic and social institutions. The nation-state system and the capitalist system emerged in Europe in the course of the last five hundred years and are the institutions, which have changed the face of the earth. A nation-state is a country whose affairs are run by a centralized state. Parliament, army, the police, the judiciary, the central bank are all arms of the state in a parliamentary democracy. Parliamentary democracy, or even democracy, however, is only one of the possible forms of the state.

One function of the State is to govern. Kropotkin states the difference between state and government. Kropotkin was among

those usually known by the label 'anarchists' who believed that the State should be abolished. He writes:

"The State idea means something quite different from the idea of government. It [the state] not only includes the existence of a power situated above society, but also of a territorial concentration as well as the concentration of many functions of the life of societies in the hands of a few. It carries with it some new relationships between members of society, which did not exist before the establishment of the State. A whole mechanism of legislation and of policing has to be developed in order to subject some classes to the domination of others." [Kropotkin: The State Its Historic Role, p.10]

In Kropotkin's definition, the state becomes the very fact of concentration of functions and powers of society exercised by a few and within a given territory. Max Weber distinguished the modern form of absolute state from other social forms by identifying one specific kind of concentration. The modern state monopolises the use of violence. Any violence or physical force which is not exercised by the state is illegitimate. This power is exercised within a given territory. All those who live or come within the territory of a state become subject to its laws and punishments, above all other allegiances or commitments. That is why when we talk of something being 'political' in this context, it has to do with power struggles between states or between different groups within states.

One of the greatest philosophers of the modern state, Thomas Hobbes, justified and explained the absolute powers of the state by claiming that the natural condition of the human society is one where each is at war with the other. The state arises out of a kind of social contract among people whereby they surrender their autonomy to the state in return for a life of peace.

In the early modern era (15th and 16th centuries), the state ruled over a heterogeneous society and it was primarily concerned with economic and military matters. Two important changes took place in the subsequent centuries. One was the growing demand by the subjects of the state to have a say in the running of the state. As a

result, democratic institutions developed and people ruled by the state became citizens rather than subjects. The French Revolution (1789) is an important landmark in this history of the democratisation of state.

The second important change in the nature of the state was the rise of nationalism which demanded cultural and social unity in addition to political unity provided by the state. Before the rise of nationalism, a German could be the king of England. Nationalism implied a cultural uniformity among the citizens of a nation-state. It was at this time that the lore of the greatness of nations was inculcated in respective populations and along with it notions of loyalty and commitment to one's own country. In ancient times, the nation had meant a people united by common biological and cultural ancestry. Now the concept of nation was wedded to the institution of territorial state to yield to the nation-state as we know it today.

The need for the state to shape a cohesive national culture and transmit it through generations gave rise to many institutions like public libraries, museums and other academic institutions. The size of a nation-state was too large for the citizens to perceive it as a community to which they belong. Benedict Anderson, in his study of nationalism, has described nation-states as 'imagined communities'. He attempted to show that the new forms of communication which emerged at this time – novels and newspapers – were the means by which people could imagine the vast community which the nation-state represented.

A similar problem existed for the managers of the state in ruling over this vast community. The modern state is not just interested in ruling over an area but in marshalling the resources of the whole country to assert power in the international arena. The nation-state needed to control populations, raise armies, tax incomes, formulate policies. All this necessitated a continuous gathering of information from all areas of the country and analyses of this information. This function was performed by the bureaucracy which recorded immense growth in this period. The bureaucracy gathered

information about climate, crops, populations, marriages, death crime, economy. Methods of statistical analysis developed at th point. As evident in the construction of the word itself, statisti developed as the state's knowledge of its domain. The science statistics still bears the imprint of its origin in the term 'populatio which it contiues to use for any kind of aggregate.

What is not perceptible through senses and experience is ma perceptible, in a highly abstract form, through statistics. When read figures of populations, or occupations, we perceive intellectua a domain which is beyond the experience of any single know Statistics is knowledge without a specific individual knower.

It was from this context that the modern meaning of the wo 'information', as we continue to use it even today, has emerg The Oxford English Dictionary defines 'information' as facts knowledge without reference to a person informed. Informati can circulate among various peoples and can be stored a transmitted. It has the connotation of knowledge which is beyo the range of one's experience.

II. The Origins of the Modern Global Economy in Europe

II. The Origins of the Modern Global Economy in Europe

The modern state and the creation of national economies

Medieval Europe was governed by a multi-levelled political system. Monarchs shared power with feudal lords below them and the Holy Roman Emperor and Roman Catholic Church above them. Topographically, the division was between the towns and the countryside. There was a lot of long-distance trade in goods manufactured by craftsmen who were organised in guilds in the towns. Towns were the centres of such trade. Towns also were the centres of local markets where food and other goods from the countryside as well as industrial goods like textiles made in the town itself were sold. What is significant is that the two – the neighbourhood trade and the long-distance trade - were always kept separate by means of laws and customs. These two were not really competitive kind of markets where similar goods by different producers compete for sale. We can say that the towns implemented protectionist policies. Protectionism in modern times is the name given to the policy of imposing tariffs or quotas to restrict imports into nations.

Such policies were part of the reaction by urban institutions to protect themselves. They were threatened by large merchants involved in trade across Europe and beyond: the wholesalers, also called mercantile capitalists. Such trade had been flourishing at the time (the 15th and 16th centuries). Capitalist traders wanted to open up the countryside to trade and also increase the trade in towns, which relied till then on bilateral trade with other towns.

At the same time, the monarchs began to assert a monopoly of power within their realms. They had to attack the power of feudal lords and town authorities below them and wrench free of the power of the Roman church above. By the 17th century, the medieval multi-layered political system of power had changed into a system of territorial states whose rulers assert absolute sovereignty and independence. This system of territorial states has dominated international relations ever since.

The monarchs found an ally in the capitalist wholesalers. The kind of policies followed by states in this era before the industrial revolution is known as 'Mercantilism'. This consisted in giving strong support to the merchants' efforts to sell abroad and accumulate wealth at home. *'The budding capitalists found a territorially centralised organisation increasingly useful for protecting property rights at home and abroad, while monarchs found growing capitalist wealth an important source of revenue for their emerging states."* [Brecher and Costello: Global Village or Global Pillage p.38] The state needed more and more revenues, as there were frequent wars between states. This is also the time when the practice of maintaining standing armies by states began. The army had to be paid regularly and not only in times of war.

The creation of a centrally-controlled state as well as the generation of more profits for mercantile capitalists both required that the protectionist policies of towns be broken down and towns and countryside be opened for trade. In the process, the state itself became the practitioner of protectionist policies vis-à-vis other states. This is how a national economy and a national market were gradually created in territories controlled by these states.

This age was characterised by the coupling of political and economic power, and the coupling of external and internal policies in the growing institution of the nation-state system. It is important to realise that a modern nation-state could not have been born and grown unless there were other nation-states growing simultaneously. That is why we call it the nation-state system: a system of mutually interacting nation-states in Europe.

We still live in a nation-state system now but with a very important difference. We now live in a stratified nation-state system. This is reflected even in the language of the globalisers – developed countries, developing countries, and the formerly communist countries that are also called transition economies. The language used here creates a picture of harmonious growth where all countries will one day be grown and developed, just as all children one day grow to become adults. The formerly communist countries are the adolescents of world economy who had lost their path and are now in reform schools. The only events missing from this characterisation of globalisation are decay and death. We will discuss these issues in the section where we talk of the world economy since the Second World War.

Before the rise of the modern state, societies exercised restraint on business activities through a variety of moral norms imposed on the merchant. Slowly, the merchants managed to break through these norms which placed what were perceived to be unnecessary restrictions on business activities. This became possible through the growing identification of business interests with national interests. Business came to be regarded as a matter of rational deliberation and thought free from the hindrance of moral considerations which cloud thinking. The medieval contemplation of the rights and duties of merchants was left behind and replaced by discussions on such phenomena as balance of trade, the factors encouraging or preventing employment.

MERCANTILISM AND TRADE-WARS

Trade has existed since ancient times and it has always been subject to social and political control. Trade across long distances depends on safe passage through the intervening distances as well as on the political restrictions on both ends: where the goods are collected and where the goods are sold.

From the 15th to the 17th centuries, Europe was at the centre of a pattern of inter-continental trade that emerged then. This pattern

of trade between Europe and Asia, Europe and the Americas, the slave trade between Africa and the U.S. conducted by Europeans, now being conducted in the environment of the European nation-state system, proved decisive in the emergence of European dominance over the rest of the world.

We are not talking here about the long-distance trade that existed between other areas independently of Europe in great measure. We are interested rather in the role which the development of trade played in the origin of the modern global economy.

At the beginning of the modern era, Europe's trade with Asia was mostly controlled by the Arabs who played the role of intermediaries. The earliest European trade centre to emerge was Venice (now a part of Italy), which did not produce much of its own but played a major role in trade of Asian goods to Europe, through its control of the sea routes in the Mediterranean region. Portugal was similarly able to control another route through the Indian Ocean which was traversed by Vasco da Gama in 1498. The Portuguese established a royal monopoly which would buy the spices from Indian local rulers and then sell them in Europe. A monopoly means that no other outfit has the right to do business in a particular area. Portugal also extracted 'protection rent' from all the trade taking place through this part of the Indian Ocean.

It was the rise of the British and the Dutch as the main European trading nations though that proved to be more fateful, because it ultimately led to the direct political control in Asia and elsewhere and also because international trade was one of the important factors in the developments leading to the Industrial Revolution in Britain.

At first, the British were importing from Asia mainly for consumption in their domestic market. Textiles as the main import slowly replaced spices over a couple of centuries. Later, a lot of these imports were re-exported to other countries of Europe and the continent of America. Sugar and tobacco were imported from

the Americas and re-exported to other countries. In this period there was very little export to the countries of Asia themselves. All the imports from Asia were largely paid for with precious metals: silver and to a lesser extent, gold. There was little demand in Asia for European goods until the industrial revolution. In contrast, British imports from the Americas were almost evenly matched by exports to the Americas. The East India Company had the monopoly over trade with India.

In fact, this import from Asia and consequent drain of precious metals from England to Asia created some opposition to such trade. Woollen manufacturers in England felt threatened by textile imports and pressurised the government to ban the import of printed cotton textiles. Plain white cotton cloth could still be imported and a new industry developed in England for printing and dyeing of this cloth. This was the nucleus from which the modern cotton textile industry developed, which lent an impetus to what is known as the Industrial Revolution.

This expansion in trade also led to many economic innovations in Europe. The initial money for the trade was raised in innovative ways and many new mechanisms of financial transaction worked out. There was a close connection between the business community and the governing classes. In contrast to Europe, the major powers in Asia were primarily land-based and were not directly interested in trade. The flow of precious metals was welcome though, as it helped in greater circulation of money. This greater degree of monetisation was seen to be important for the collection of revenue from the land, which was the greatest source of revenue for the ruling powers. Business with the Europeans was conducted by the big merchants of the coastal centres of India like Surat. Unlike in England, these merchants operated on the periphery of the ruling powers. In the course of time, the Dutch and the British also established their own factories in these coastal centres.

These developments in the area of trade were accompanied by frequent warfare in Europe among the then developing nation-states. Trade was closely linked to the development of naval power and finding new sea-routes. The centuries when Asian trade became significant for Europe was also the period of a world-wide rivalry between the British and the French which did not remain restricted to the promotion of trade and the control of sea-routes. It led to global competition for territorial control and ultimately to the formation of British Empire.

Frequent wars led to the mind-set that saw international trade relations in terms of a continuation of war by other means. International trade was seen as a zero-sum game in which the sum total of all resources was constant. A zero-sum game is a game where some participants can enrich themselves only at the cost of others.

Mercantilism is a philosophy of international trade which subscribes to this attitude. Before mercantilists, the prevalent philosophy was simply the bilateral accumulation of precious metals. In contrast, the mercantilists argued that in the course of multilateral trade relations precious metals may flow in one direction but return from elsewhere. Therefore, one should not be worried about the balance of payment and gain of precious metals with individual foreign countries, one should look at the country's position in context of its relation with all other countries together.

Consequently, unlike their predecessors (the monetarists or bullionists) who saw this game only in terms of bilateral balance of payments and accumulation of precious metals (i.e. as a game between only two players), the mercantilists emphasised the multilateral balance of trade. Here we see two terms – balance of payment and balance of trade – that could only have meaning in the context of national economies. These are very important terms and very relevant in our own times too.

Balance of Trade

The balance of trade of a nation is the balance between the values of its exports and its imports. So if a nation is exporting worth more than it is importing, it has a positive balance of trade. Of course when we say that a nation is exporting or importing, what we mean is that all that is being exported or imported by various people and establishments in the country.

Transactions between countries are more complicated than simple buying and selling within the country. A country has its own currency which can be used within the country. This currency is of no value in other countries. In the mercantilist period, goods had to be bartered i.e., you buy one set of goods in exchange for another, or precious metals had to be used to buy goods from other countries. In our own times, foreign currencies can be exchanged for one another. But the relative value of national currencies is closely tied up to fluctuations in the global economy. In fact, there is massive trade in currencies that goes on. Different currencies have different market values in the world.

If a country is importing much more that it exports, it would have needed gold or silver in the earlier times to pay for it. Now it would need a reserve of foreign exchange. If it does not have foreign exchange to pay for its imports, it will have to take loans. But loans come with interests, and this country will have to keep paying interests as long as it does not return the loan and that too in foreign exchange. It can do so only if it can increase the value of its exports or reduce its imports, or a combination of the two.

If the country decides to cut down on imports, it is said to be following a policy called protectionism. The current ideology of globalisation considers this a bad policy. Globalisation encourages countries to produce more and more for exports. Protectionism reduces the volume of international trade because if you are importing less, other countries are exporting less. So what, one may ask, if the volume of international trade comes down? Globalisers will argue that the level of economic activity will come down. They do not want consumption of goods to go down, no matter what those goods are.

Balance of Payments

The balance of payments of a country refers to the balance between the payments that are owed to the outside world and that are owed by outsiders to the country. It is a recording of the value of transactions across borders and comparison of into-the-country transactions with outgoings. A table can be drawn to judge the balance of payments of a country. One column of the table will show the credit side, i.e., the incoming foreign exchange. It will include payments for goods and services exported to other countries, foreign corporations bringing money to invest, loans etc. The second column will show the foreign exchange going out, the debit side. It will include the payments for imports, payment of loans or interest on loans, profits of foreign companies sent back to their parent countries and so on. In fact, all these categories can be further broken down in more detail. For example, one can put different types of exports and imports in detail.

When we talk only of the values of imports and exports and their comparison, we get the balance of trade. The balance of trade forms one part of the balance of payments.

Reading the balance of payments table gives an idea of what it is that is contributing to a nation's capacity to earn foreign exchange and what constitutes a drain on foreign exchange.

THE INDUSTRIAL REVOLUTION AND THE TRANSITION TO A CAPITALIST ECONOMY

When we speak of the Industrial Revolution, we are not so much interested in the technical innovations as in the profound changes in society and economy, which accompanied a new form of production by means of elaborate machinery, organised in factories. These developments took place first in England in the late 17^{th} and early 18^{th} centuries. It suffices to mention here that the introduction of machinery and the organisation of the factory system first took place in the cotton textile industry. The metal industry and coal mining developed almost concurrently. The invention of the steam

engine to power the machinery was an important advance that impelled mass production.

The Industrial Revolution and the transformation of the economy into a capitalist economy are synonymous processes. The mercantile capitalists before the Industrial Revolution used to buy goods from the craftspeople and others and trade in them. In contrast, the later capitalists manufactured goods by installing machinery in factories, buying raw materials and employing labour. It is in the latter case that it is appropriate to speak of investment by the capitalists, even though traders also need some initial funds to buy goods.

Individual craftspersons employed tools and equipment in their work which in many instances they owned and operated themselves. They and their families performed a series of tasks to produce goods, which they sold to the people or traders. Elaborate specialised machinery breaks down the tasks involved in the making of goods into a series of simple tasks. The production is more standardised and the skills needed to perform the series of simple tasks are relatively elementary. Many workers can be employed simultaneously to perform different tasks. The machines also do some of the tasks requiring great amount of physical power.

These machines are very expensive and the tasks to be performed on them arduous, repetitive, and joyless. Only people with enough money to invest, i.e., with enough capital, could afford to buy the machinery and the raw material needed and also pay for the wages. The capitalist needs the assurance that there is a substantial market for the goods produced because factories produce in much greater amounts. He/she also needs to be assured that raw materials will be consistently available and there will be workers to work in the factories.

Initially, people were not willing to work in these factories but did so because they were made desperate. Apart from the fact that the work was monotonous, the working hours were 12 to 15 hours and wages were very low. The surroundings of the work were very

grim. However, a large population had already been uprooted in earlier centuries. The feudal lords had started enclosing their fields and pastures and forcing the peasants out of them. These peasants cultivated the fields as tenants and raised cattle. A lot of land and pasture which were supposed to be the property of no one –the so-called commons – were enclosed. One of the reasons for this movement for 'enclosure' by the landlords was the profitability of raising sheep for the flourishing woollen industry.

A kind of social support system existed in all the parishes which the population without any livelihood could avail. All such systems were progressively dismantled as the capitalist economy was instituted. Otherwise, many people would have continued to prefer to live on the meagre provisions of this support system rather than work in the factories.

The laws against vagabondage and begging were made more stringent. In fact, punishment included working in the factories. Starvation became a reality for people probably for the first time in history. Before this time, people had starved only in times of calamity and war. Arguments were made that it is necessary to maintain semi-starvation wages in order for them to continue to work. Children were made to work in inhuman conditions. Living in such conditions, people who had been uprooted from their culture and environment lost their moorings. Prostitution, alcoholism and violence became widespread.

There is a large body of literature on the conditions of this time Poetry, novels, memoirs, studies and other genres of writing al reflect the unprecedented sufferings of this time, evident even ir the writings of those who supported the new developments. In a sense, the society itself was being destroyed.

There was resistance as well. The Luddites are the most famous o the dissidents. They attacked factories and broke machines. Ther were many other movements and organisations which came int existence. E P Thompson has traced the histories of such resistanc

and slow working out of a new mode of dignified social existence by the working people in his classic work *The Making of the English Working Class.*

Karl Polanyi has described this process as the imposition of a self-regulating market system. The capitalists needed the raw materials and the workers to work in the factories and felt the need to create markets for labour and raw materials. In a market, you can go and buy what you want as long as you are willing to pay. The idea behind the capitalist system was that if all the products are manufactured, if the supply of the raw materials and labour are regulated by the market forces and if everybody acts with the motive of gain, the whole system will be self-regulating, which will work best towards the creation of wealth. The government or the society need not interfere in the process of work, production and distribution.

In this system everything, including labour, becomes a commodity to be exchanged in the market. This system is not something that grows by itself according to some laws, but had to be imposed by all the means available to the capitalists and their supporters. As a result of the resistance mainly from the working class, in the course of time, legal restrictions were imposed on the development of free markets.

At this time, even though a parliament was in existence, voting rights were restricted based on property and privileges. Women were excluded too. Only as the situation of workers and others improved through their concerted struggles for a stake in the system, and the suffragette movement by women, were voting rights were extended to cover the working classes and women. This is another indication of the fact that the capitalist system was imposed with the help of state power.

III. Philosophies of Progress

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CONCEIVINGTHE IDEA OF PROGRESS

Liberalism and Utilitarianism were two influential philosophies that emerged in England at this time. Adam Smith had laid the foundations of liberalism in his work *The Wealth of Nations* as early as in 1776, even before the full-fledged rise of industrialism. He had argued that maximum wealth would be created when the business and commerce in a nation is left to operate freely without interference from governments. This is the origin of the word 'laissez-faire', used extensively even now to denote freedom of business. Smith had, in fact, also pointed to the limits of such freedom and how it may degenerate.

With the rise of modern science, a philosophy of progress had developed initially in France, known by the name of the Enlightenment. This philosophy was directed against the religious authority of the time and hoped for liberation from religious dogma and mystification with the help of emerging scientific thinking. This philosophy eventually spread to the rest of Europe and the world and had a great influence on the world-view of the time. We can see the activist propagation of this philosophy even in our own time in the form of popular science movements. The German philosopher Immanuel Kant interpreted the essence of Enlightenment to be 'to think for oneself'. Later, it was reduced to mean faith in the absolute authority of science.

Liberalism combined aspects of both to interpret the rise of capitalism and industry, along with science, as marks of the inevitable progress of humankind. The Industrial Revolution and capitalism were interpreted as part of the natural progress of society. An elaborate structure of philosophy and economics was raised. According to liberalism, individuals that constitute society always act in self-interest with the motive of gain. If everybody acts with enlightened self-interest, that is in the best interest of society as a whole also. Capitalists, of course, were considered the exemplars of enlightened self-interest. Freedom and liberty were cornerstones of this philosophy, but they were interpreted within the limitations of the contemporary society. Apart from the capitalists, the rising class of professionals like lawyers and doctors were the main protagonists of this philosophy.

An associated development was the philosophy of Utilitarianism, formulated by Jeremy Bentham and James Mill, according to which the principle for society to follow was 'maximum happiness for the maximum number of people'. While this philosophy, as later developed by John Stuart Mill, may have played some positive role in making governments more responsible for a broader section of society, it replaced all considerations of ethics and politics by rational calculations of happiness and sufferings. On the one hand, it opened the way for the rationalisation of policies by experts who make such calculations, on the other, it left scope for the sacrifice of marginalised people in the name of progress.

Marxism accepted that the development of the new means of production in the form of new machines constituted progress. But it challenged the notion that every individual was free in capitalist society. Workers are free to sell their labour. But they have very little choice in the matter since the capitalists own all the means of production. Workers have very little control over their work, their labour is alienating because they produce only for the profit of capitalists. Marx argued that beneath the veneer of individual freedom, workers as a class are subjugated by capitalists. He went on to interpret the whole history of humanity in terms of a strugg

between classes. Marx thought that the working class would finally overthrow the capitalist (or bourgeois) class and thereby make the whole society free.

An important insight of Marxism is that freedom or liberty of people is rooted in the material conditions and arrangements of a society. You can not be free while you are subjugated for your day-to-day survival to somebody. This insight has become a part of all movements for social change whether it is women's movements or indigenous peoples' movements. Marx argued that the political right to vote does not automatically lead to economic or social equality.

The latest manifestation of this can be seen in South Africa, where even though the racist regime called apartheid is formally removed, most of the land and industry is still owned by whites. The anti-racist struggle always aimed at redistribution of land but it has become increasingly difficult to do so even though an ostensibly non-racial government has come to power. After all, the skewed distribution of economic resources was a result of the racist arrangement itself.

INDUSTRIALISATION AND PROGRESS

The societal dynamics within which these changes took place and he suffering and massive uprooting of the majority of people that t caused is comparable only to what happened in many parts of he world in the process of colonial conquest and exploitation. It is enerally regarded that this was necessary suffering for the sake of rogress. Similarly, today the uprooting and deprivation of millions f displaced people is regarded as a necessary sacrifice for the sake f development.

t is true that even the general population in England and other ndustrialised countries attained a degree of material ease and omfort in the course of time. These are the developed countries f today. But who has the capacity to calculate the sufferings and njoyments of the whole world in the two centuries following the

industrial revolution? Except perhaps the all-knowing economists who have been predicting prosperity for the whole world for as long as the so-called science of economics has existed. Today, they are doing the same and their mantra is globalisation. Can we hold them responsible if globalisation fails?

Up to now, nobody has been held responsible for all their sayings and doings when it comes to progress and development. When there is a bit of success, the credit goes to the forces of progress, but massive failures are blamed on people who supposedly refuse to develop.

We have to find ways of organising and controlling the industrial system of production, so that it advances the material lives of all people while at the same time not destroying the earth forever. We have to define what constitutes an advance in material life. This system can only be based on different motives, different institutions and different social and cultural priorities. Even industrialised societies are going through a range of crises and need to change. In any case, they can not go on living the way they are withou exploiting the resources of rest of the world. The global flood o globalisation and free-market propaganda of progress is so stron now that we are overwhelmed and can think of the future only a more of the same. Some of us may long to go back to the pristine pre-industrial past, uncontaminated by industrialisation. But that i not possible, aside from whether it is even desirable for everyon to go back to that past.

It is difficult to believe in the inevitability of progress now. Soci progress remains desirable, possible and even necessary. But there d not seem to be any historical superhighways on which humanity ca comfortably ride home. The ways have to be made as we go along

THE PURSUIT OF ECONOMIC GROWTH

With the Industrial Revolution, economic growth as indicated increase in the Gross National Product (GNP) came to be regard as the measure of progress. It continues to be regarded as su

even now, sometimes in a qualified way. It was assumed that an increase in GNP always contributes to human welfare in society. Questions such as the following were not asked:

- Whether the growth in production of these goods and services are inherently valuable and beneficial;
- Whether these goods and services are spread widely in the society;
- Whether the benefits of growth outweigh the detrimental effects on other parts of society.

Once the economy has been modernised, growth becomes important for employment. When there is faster growth, it means there are more economic transactions, more manufacturing and so more employment. But the questions of what kind of employment in what conditions is not raised.

The 1990's have seen the U.S.A. economy growing at what is regarded as a good pace. But the majority of U.S.A. citizens are not experiencing any improvement in the quality of their lives. It begins to make sense why this is so if we notice that some of the fastest growing parts of the US economy have been gambling, prisons, medical treatment.

The sicker people are getting, the faster the economy is growing. The more people are imprisoned, the more slave-labour is available to contribute to growth. The more people rely on gambling to fulfill their dreams or just to ward off despair, the richer the country is becoming. So some people are making money out of the misery of others. There is no depression in the economy, but the people are depressed. But even that is profitable, as shown by the massive growth in sales of feel-good anti-depressant drugs like Prozac.

We see now everywhere the use of bottled, filtered water (usually advertised as mineral water) and all kinds of water filters. Simultaneously, the quality of water in public supplies is declining. Those who can not afford the filtered water contribute to "economic

growth" by falling sick and seeking medical treatment from increasingly privatised medical services.

One of the most visible signs of globalisation in India is the growth in cars and other motor vehicles. It has to be supported by the growth of roads and fly-overs, which are usually made with government money, so-called public spending. This contributes to the construction business and consequently also to the election funds of political parties. Many recent studies have shown that the amount of lead in the children of cities like Delhi or Bangalore is frighteningly high, stunting brain development. Finally, not to be forgotten in this rhetoric of growth, is the increase in India's foreign debt on account of the import of petroleum products. Petroleum imports are the largest single item on the negative side of India's balance of payments.

Public transport systems and long-distance railway transport become inimical to economic growth and may even be considered irrational! It is not just a question of the privatisation of the public transport system, travel itself is being privatised here. As with many other socio-economic trends, the U.S.A. was the pioneer here. In the first decades of the twentieth century, public transport in the U.S.A. was thriving even though run by private companies. Car-manufacturing companies like General Motors and others bought up the public transport systems and dismantled them so as to promote the car. This had tremendous consequences on various aspects of American society well documented by Jane Kay in her book *Asphalt Nation*.

We have just been giving some examples of the unbridled pursui of growth. Faith in unlimited growth has come to be challenge from many quarters. Environmental awareness has led to th realisation that the resources of the earth are limited and, therefore economic growth has limits as well. Many studies have pointed ou that it is just not possible for all countries to attain the level o consumption existing in developed countries given the limite resources on earth. We will need the resources of at least 4 or earths to do that, but we have only one.

There have been criticisms from another angle as well. It is recognised that economic growth by itself does not determine welfare but that there are other indicators of human development important in determining the quality of life in a society like health, the status of women, education and environmental preservation.

Human Development Report & Globalisation

In 1990, the United Nations Development Programme published the first Human Development Report. These reports give nation-wise data on various aspects of society. The latest reports include data on Health, Education, Food and Nutrition, Income and Poverty, Women, Children, Environment, Human Security. These data are supposed to be indicators of development of a society in addition to economic indicators.

Human Development Reports, while providing a useful picture of development, seek to promote globalisation with a human face. These reports over the years clearly show the increase in poverty and inequality in the world accompanying the march of globalisation. They contend that globalisation is working for a minority and it has to be made to work for the majority. But they do not investigate the possibility that globalisation is working for the minority precisely because it is not working for the rest.

They appeal to that minority arguing that with slight changes in priorities, it is possible to reduce poverty. The reports seem to be addressed to the powerful of the earth, hoping to encourage a moral response, to eradicate poverty. They hope to do so by showing that it is feasible to remove poverty without any major change in the direction of the world economy. These reports also hope to encourage national governments to improve their performance in promoting human development, by presenting data in a competitive national format. The media highlights the places of various countries on the ladder of human development.

Three important questions to ask here are:

- Whether economic trends represented in globalisation are the culprits causing increases in poverty, inequality and environmental destruction. If so, one can not just tinker with globalisation to bring about a change. In other words, are inequality and poverty essential to the dynamic of globalisation?
- Whether one can hope to change the hearts of the global and national elites to eradicate poverty and inequality?
- Whether the problem of justice in our world should be formulated only in terms of the eradication of poverty? Or should it be in terms of a broader change of society?

These reports present the history of the last two hundred years as a continuous march of progress. Any indication to the contrary is treated as a temporary aberration that is bound to vanish.

Human Development Reports can be used as one of the tools for people to understand some aspects of changes taking place and to judge some policies. But, beyond a point, people have to develop indicators for their own areas. The indicators themselves may be different in different places to reflect the aspirations of people.

IV. The Rise of the u.s.-led Global Economy

IV. The Rise of the U.S.-led Global Economy

BETWEEN THE TWO WORLD WARS: THE GREAT DEPRESSION

Nineteenth century hopes of continuous progress came crashing down when the great powers of Europe like England, France, and Germany engaged in a great war whose spread extended almost over the whole world because of their colonial conquests. This was the First World War, which was fought between 1914 and 1918. In 1917, Soviet Russia emerged as a revolutionary state attracting attention worldwide and representing the hopes for a fundamental transformation of society. Here was a possibility of revolutionary progress, in contrast to the continuous progress through reforms. But the task that came to preoccupy the new class in power in Soviet Russia was the rapid industrialisation of the country rather than the promoting of the revolution's ideals throughout the world. Inspiration for the working class everywhere and the consequent threat to the capitalist world which Soviet Russia represented continued, however.

The nineteen thirties was a time of crisis in the capitalist world itself. It started with the stock market crash in U.S. and spread to the rest of the world. This crisis is known as the Great Depression. Depression describes a state of economy when people remain unemployed while the factories remain closed persistently. There are no new investments either since profits are not expected. When such a state of affairs exists for a shorter period and with lesser severity, it is known as recession.

One might wonder how a stock market crash could propel whole economies and societies to extreme stress and poverty. Or is it an already declining and unbalanced economy which leads to the stock market crash?

A stock market crash means an accelerated plunge in the prices of stocks which are being traded in the stock market. If the prices of stocks were driven to unrealistically high levels by the traders of stocks, they should just have come down to their realistic levels. But that is not what happened. When the prices were going up, people got money on credit from banks and other sources, or they sold their assets, to invest in stocks. When the prices came tumbling down, many banks also collapsed, because they could not recover their debts. Just before the crash, the U.S. economy was in a kind of dual state. While on the one hand, corporate profits were increasing and the stock market was booming, on the other, the farm-incomes were falling down, and the industrial wages were also not increasing. Too many goods were being produced without an accompanying increase in the possibility of consumption. This phenomena called 'overproduction' was being fuelled by the 'automobilisation' of the U.S., among other things. Overproduction keeps occurring in capitalist economies periodically after every phase of faster economic growth though not with such dire results every time. The tendency of overproduction is one of the causes of what are called business cycles in these economies.

Once the crash occurred, new investments dropped suddenly. The sources of credit dried up. Investors who lost fortunes in the crash withdrew their money from wherever they had deposited for profit. Overproduction turned into factories closing down and mass unemployment. The imports to the U.S. from other countries came down heavily, thus spreading the depression to other parts of the world.

There were other factors which made the Great Depression such a world-wide and long-lasting phenomenon. After the war, Germany was forced to pay reparations to the victorious allied powers like

England and France. England and France in turn had to pay back the U.S. debts they had incurred during the war. After the war, the U.S. thus became financially the strongest nation. There was a flurry of U.S. investments in Britain, France as well as in Germany.

The stock market boom just before the crash led a lot of European investors to move their money to New York. The money goes wherever profits are highest. So the eventual crash affected the investors of other countries as well and further U.S. investments in Europe dried up.

Meanwhile, Germany had to continue to pay reparations. The German government squeezed the economy in order to pay these. Unemployment rose and standards of living slumped, creating the conditions for the rise of the Nazis. The allied powers finally agreed to stop the reparation payments in 1933.

A financial crisis was spreading everywhere and banks were collapsing. In 1931, Britain went off the gold standard and let the value of its currency, the pound, drop by more than 25%. Now the pound could not be exchanged for gold at a fixed rate. At the time, the pound was the principal trading currency and most banks held much of their reserves in pounds. At one stroke, the value of these deposits sunk by a quarter. Moreover, the global system was now lacking a stable currency to back it up.

This period saw a great deal of protectionism with various countries raising barriers to imports. This brought down the volume of international trade. This situation is especially threatening to economies which have already developed the capacity to produce more than what can be consumed in the domestic economy. Such societies usually advocate the promotion of free trade.

The Gold Standard

"Just as any national economy needs an accepted money, so the international economy requires an accepted vehicle for investment, trade, and payments. Unlike national economies, however, the international economy lacks a central government that can issue currency and manage its use. In the past, this problem was solved through the use of gold and national currencies, and in the nineteenth and twentieth centuries, gold played a key role in international monetary transactions. Gold was used to back currencies; the international value of currency was determined by its fixed relationship to gold; and gold was used to settle international accounts. Supplementing the use of gold in this period was the British Pound." [Spero: Politics of International Economic Relations, p.41-2]

The Crises of Capitalism and the Idea of the Welfare State

There is an inherent instability in the capitalist system. It periodically suffers from unemployment, depression. The search for greater profits provides the dynamic of the system. When there are more opportunities for profitable investment and when more capital is available for investment in the form of savings and credits, the economy flourishes. This can happen only if there is enough demand for the goods or such demand can be created.

But the same search for profits leads to overproduction and more exploitation of labour, and consequent brakes on economic growth. This leads to unemployment and further reduction in demand. If we look at unemployment from the market perspective, it means greater supply and less demand for labour, which leads to wage-cuts. In a society where most people live on wages, wage-cuts result in lesser consumption, which reduces opportunities for profitable investment. A downward spiral is created, feeding on itself, as evidenced in the great depression. Marx was perhaps the first to point out and analyse in great detail this feature of capitalism. He concluded that this internal contradiction of capitalism would eventually lead to its overthrow by the working class.

To counter this inherent problem, a new form of capitalism was

evolved which is known as 'Welfare Capitalism' (more accurately, capitalism with an interventionist state) and is associated with the name of an economist called J.M.Keynes. Keynes' solution consisted in ensuring a growth in demand for the goods that a growing economy is producing. This could be done by ensuring higher wages for the workers, by government spending on public works, by making credit easily available, by creating welfare programmes. Such an expanded role for the state helped stabilise the economy and also created a sense of national economic interest in ordinary citizens.

Even earlier, governments had intervened to regulate capitalist economies. The creation of Central Banks to control money and credit is perhaps the most important of such instances. Societies have been trying to control and regulate capitalism ever since it was created by whatever means available to them. Following the industrial revolution, the working classes organised themselves in Trade Unions in spite of great odds and tried to regulate their working conditions through collective power. In the post-World-War-II era, though, these unions became a party to 'Welfare Capitalism'.

After the great depression in the U.S., a national programme for economic revival was launched on these lines. It was called the 'New Deal'. Programmes under the 'New Deal' included public employment, farm price support, environmental restoration, labour rights, cooperative enterprises, subsidised basic necessities, the construction of schools, parks and housing. Later, this system went on to include unemployment benefits as well. These times also saw a lot of experiments at the state, regional and local levels, independently of the government. New kinds of organisations of workers, unemployed, elderly people emerged.

But it was the Second World War, rather than the 'New Deal', which solved the problems of the U.S. The 'New Deal' dealt with the national situation. World War II provided an opportunity for the U.S. elite to carve out a plan of world dominance with the rest of the developed world as junior partners.

THE SECOND WORLD WAR AND THE BRETTON WOODS SYSTEM

We pick up the story towards the end of the second world-war in 1944. The allied forces were still moving across France. Representatives of 44 nations met at Bretton Woods in the U.S. to work out some basic rules and institutions to manage the post-war international monetary order. We say 44 nations, though, in fact, it was the club of non-communist, industrially developed and militarily powerful and triumphant nations, led by the U.S., which forged and imposed this order. The communist countries withdrew, preferring to manage their economies in relative isolation. Japan and Germany were the defeated powers and had to be grateful for whatever they got. Those countries of the third world that did get invited were mere observers. Britain and France were the only countries which could have had a say in the state of affairs if only they had not been weakened by the war.

This juncture marked the end of British dominance and the establishment of the dominance of the U.S. in world affairs. The Bretton Woods agreements were signed and drawn up under threat, at a time when parts of Europe were still occupied by the Nazis. There were two conflicting views within the allied camp. Keynes' British standpoint included the proposal of creating an international monetary institution empowered to create a specific international currency (the 'bancor') which would eventually become the main reserve currency. What the U.S. imposed was the other solution, where the dollar became the reserve currency.

The British idea would have led to the creation of something akin to an international central bank. National currencies are created and controlled by the national governments through central banks. The Reserve Bank of India is the central bank of India. The central bank can decide to print more currencies, to fix maximum interest rates and other regulations for other banks, to maintain adequate foreign exchange reserves. These are all part of the monetary policy of the government. The creation of an international

central bank would have required co-operation among at least a few powerful national governments to guide its policies. So the British government could have had more of a say in this kind of arrangement.

The International Monetary Fund (IMF) which was created was to be the keeper of the rules and the main instrument of international monetary management. There was no new currency which it could issue. Various national governments could be members of IMF and had voting powers calculated according to the amount of gold or money they contributed to it. So the vote was weighed according to the financial contribution.

Because of the system of weighed voting, the U.S. was able to exert the dominant influence on that body. The IMF could advance credit to countries having balance-of-payment deficits and its approval was necessary for any change in the exchange rate of currencies. The IMF could only lend money that it had borrowed and only the U.S. could lend money to the IMF at the time. The establishment of the dollar as the reserve currency backed by gold and subsequent U.S. policies have been crucial to the emergence of global finance. We will discuss this in a subsequent section.

The U.S. also imposed its right to veto IMF decisions and insisted that only those countries whose adherence to the principles and practices of free trade could be guaranteed by participation in GATT (General Agreement on Tariffs and Trade) and the World Bank could borrow from the IMF.

Britain and the rest of the European countries needed credit to rebuild their economies which had been devastated in the war. The U.S. wanted to reconstruct Europe in order to stem communist expansion and to provide expanding markets for the U.S. economy. The U.S. was able to dictate terms to its European partners. It forced them to purge all communists from their governments, imposed unequal treaties under GATT, and acquired a dominant position in the military organisation of the western world formed

at this point called NATO (North Atlantic Treaty Organisation). Under NATO, the U.S. armed forces came to be stationed in various parts of Europe.

The U.S. refused to help European nations in maintaining their colonies. It supported anti-colonial national fronts by and large and especially the pro-American and pro-capitalist elements within them. The U.S. strategy was to help the allied powers to reconstruct but without them becoming a challenge to its sole dominance. As regards the colonies, the U.S. sought to institute a new form of colonialism without explicit political rule, some glimpses of which we will get in the following sections.

By the sixties, Japan and Western Europe were back in a strong position and surprisingly enough the U.S. was also in debt to them, though this does not mean that U.S. dominance was overthrown, as we will see later. But in contrast to Japan and Western Europe, the newly independent third world countries were sinking deeper and deeper into all kinds of problems. How was that possible? Former colonial powers of Western Europe shared in the benefits accruing from the new form of colonialism that the U.S. was able to impose on third world countries. The cost of military interventions against rebellious regimes and the maintenance of military bases in many parts of the world was almost entirely borne by the U.S.

THE U.S. ECONOMIC STRATEGY

After a decade of unquestioned expansion in the 1950s, the U.S. economy began to experience some hitches. Western Europe and Japan recovered from the war. Indigenously produced goods replaced many of the U.S. imports to these countries. These countries also began exporting more and more to third world, thus cutting into the U.S. exports. The U.S. registered its first balance of payment deficit in 1958.

Other reasons for the U.S. balance of payment deficits were the military expenses of the arms race and the maintenance of military

bases on the one hand and the expansion of U.S.-based multinationals on the other. It is important to realise that foreign investment by multinationals constitutes a drain from the country only in the short run. When the profits begin to be repatriated to the home country, they contribute to the positive side of the balance of payments.

Its balance of trade was still positive, but the trend was clearly towards relative increase of imports vis-à-vis exports. The U.S. balance of trade started deteriorating noticeably in 1968 and it showed a deficit by the early seventies.

When talking of the U.S. balance of trade, it is instructive to look at the constitution of exports and imports in some detail. In the early seventies, there were three sectors where the U.S. enjoyed a positive balance of trade: products incorporating a very high level of technology (eg aeronautics and the arms industry), chemicals and agricultural products, including food. By contrast, there was a steady decline in the U.S. exports of textiles, shoes, automobiles, oil and steel. The countries to benefit from this decline were Japan, Canada and Western European countries, especially Germany.

Now, at the end of the millenium, the U.S. economy is riding on the wave of export surpluses in the current high-technology sectors of Information and Communication Technologies and Genetic Biotechnology. Here we can see the attempt to maintain an international division of labour, which leaves the U.S. to enjoy monopoly in certain sectors.

The (Million) 'Dollar' Question

Since the end of war, the U.S. currency has come to play a central role in world economy. Bretton Woods agreements made it the international reserve currency convertible into gold. It meant that the U.S. government was obliged to convert dollars into gold at a fixed rate, if others wanted it to. So the dollar was considered as good as gold.

A lot of dollars flowed into Europe in the form of loans to governments and foreign investments by U.S. companies. The loans were used by European governments to finance imports necessary for reconstructing their economies. Once these countries had recovered from the devastation of war and rebuilt their economies, they needed to import less from the U.S. and elsewhere and, moreover, they were exporting their own produce to the U.S. as well as other countries. This led to a surplus of dollar reserves with these countries. These dollars could have been exchanged for gold from the U.S. government. But it might have created a rush to exchange dollars for gold all around, at fixed rates, and U.S. gold reserves would have got substantially diminished, if not exhausted. If the U.S. had decided to devalue the dollar with respect to gold, it would no longer have remained 'as good as gold' and, therefore, the prime international currency. A devalued dollar also would have been an impediment to the spread of U.S. multinationals, who were welcome in different countries partly because they brought in some dollars, which helped ease the balance of payments deficits of those countries at least for a while.

But the U.S. balance of payments deficits continued to grow. This meant that the U.S. as a whole – the government, business, consumers-owed debts to the world. Normally, governments are advised to implement austerity programmes to overcome crises in balance of payments.

The U.S. could have cut down on its military expenditure. It could have devalued the dollar to encourage exports and discourage imports. When a national currency is devalued with respect to other currencies, the exports from this country become cheaper for the rest of the world and imports from outside become more expensive for the country itself. So it encourages exports and discourages imports. Austerity also implies that growth in interna production remains higher than growth in internal consumption so that more foreign exchange surplus can be built through growing exports. Along with consumption, wages would also come dow and unemployment would grow even further. The U.S. decided t

live with its deficit and compelled the world also to live with it. It was made clear to the West European allies that attempts by them to convert their dollars to gold would be taken as a sign of hostility to the U.S. A gold pool was formed whose task was to maintain the parity between the dollar and gold jointly by the U.S. and allied governments.

If the value of gold in the market started going up, central banks of these countries would have to start selling a lot of gold on the market thereby bringing down its price vis-à-vis dollar. The U.S. demanded parts of the cost of maintaining military bases in Western Europe to defend against Soviet Russia's increasing military might. The concession granted to the allies was that their currency also became officially convertible to dollars and gold. This would also form a stake for European governments to maintain the gold-dollar parity.

European central banks landed up with a lot of dollars that the U.S.did not want in exchange for gold. These banks did not want their dollars to lie idle, so they started lending these dollars on the market, to companies, banks, and other players in the financial market. Great amounts of dollars started circulating in the market. These came to be known as the Euro-dollars. These Euro-dollars had a special advantage for private economic actors. They did not come under the U.S. jurisdiction of taxes, nor were European governments especially interested in regulating the flow of such dollars since it was not their currency. For example, normally a bank can only issue so much of loan depending upon the cash reserves it has. But these Euro-dollars were functioning outside these limits in a very free market. The absence of regulatory requirements enabled banks to loan Euro-dollars at a lower interest rate, thus making it more attractive for borrowers. Even U.S. banks found it profitable to move some part of their dollar deposits out of the U.S. to escape the regulations. It is reported that even earlier than European governments, a Russian bank in Paris had started lending the surplus dollars it had. In the 1980s, the U.S. Federal Reserve (the equivalent of the Central Bank in the U.S.) reported that it could not trace 80% of the cash in circulation. After taking

into account the cash that people may be carrying or hoarding, it was obvious that almost two-thirds or more of the dollars had gone abroad.

Eurodollars came to be defined as any dollar deposits outside the U.S. and grew at a furious rate. Eurodollar markets are the progenitors of the massive scale of currency trading that we have today. The Bretton Woods agreements finally came to an end in 1973. A floating exchange rate system came into existence. There was no definite parity between currencies and gold. The financial markets and economic and monetary policies of governments determined the values of currencies.

In the floating exchange rate system, if a country has to defend its currency's value from going down, it has to do so through market operations. The Central Bank would start buying its own currency from the market thus stabilising the equation between demand and supply. This stabilises the price of that currency for the time being. Another method is to increase the interest rate on the currency so as to make it attractive for the market to hold or buy it.

Floating exchange rates led to supply of other leading currencies like the deutsch mark (West Germany), the yen (Japan), the swiss franc in the financial markets. A Eurocurrency market came into existence which extended the Eurodollar market. New consortiums of banks came into existence which combined the financial power of the U.S., European, Japanese and Australian banks. New 'tax heavens' developed in the Caribbean, Panama, Hongkong and Singapore, where no questions are asked about sources of money and taxes are not levied. U.S. and European Banks had branches there to deal with such money free from Central Bank restrictions. Apart from Eurocurrency, illegal drugs and arms trades pumped their profits into such banks. A section of third world elites also kept their illegal or legal earnings in these tax heavens. The volume of money traded on financial markets (markets where money is traded or loaned or invested in stock markets) has grown at a much faster rate than international trade or investment in new enterprises.

But why did the allies of U.S. go along with its policies? One answer is that Europe also had come to be dependent on some commodities from the third world and their supply could be assured on favourable terms through the threat of U.S. military intervention. Petroleum or oil is, of course, the most striking example of this. Europe was (and is) totally dependent on oil imports. Oil supplies on relatively favourable terms from the Middle East and Latin America can be maintained through U.S. economic and military clout. The U.S. itself is relatively less dependent on imported oil. Another reason for Europe's compliance was, of course, the shared fear of communism and the USSR.

The U.S. strategy combined economic, political, military and technological elements. However, there was also a cultural component to the strategy adopted by the U.S.

The American Dream

In this period, "America" or the U.S. also developed as the dreamland for people from all over the world. Even India, which had closer ties with the USSR at government level, culturally looked up to the U.S. Whether it was education, or Hollywood movies, or new technological developments, it was "America," which was the land of dreams.

The U.S. had benefited a great deal from the Second World War. The fifties saw the proliferation of consumer goods which a large section of the population could afford because of the higher wages offered. U.S. multinationals, which were always conquering new markets, took these goods to other parts of the world. In this manner, they *operate beyond the economic level as the vectors of a worldwide, and hence American, culture and ideology*. [Fitt, Faire and Vigier: The World Economic Crisis, p.17]

Scientists and engineers from all over the world, including the victorious and the defeated nations of Europe, were migrating to the U.S. This included scientists involved in the Nazi weapons

programmes as well, especially in rocketry. Later, a number of people from the third world also started working as scientists in the U.S. leading to the phenomenon of brain drain. One reason for this migration was better salaries, which the U.S. could offer. Another reason was the existence of better facilities and wider recognition for research work which was further enhanced by migrations. The U.S. put people on the moon and was quite concerned that it should be the first to do so, ever since the USSR had put people in space.

A high wage economy attracts technical talent and also serves as a test-market, or 'pilot-market', for expensive goods with high-technology content. This fitted nicely with the U.S. strategy of maintaining an edge in high-technology sectors. The spread of the "American lifestyle" also created a greater cultural affinity between the elites of various countries and boosted cultural exports from the U.S. fuelling dreams in the rest of the world's underprivileged populations.

THE RISE OF THE INFORMATION-ECONOMY

After the consumerist explosion of fifties and sixties, a new trend emerged among the developed economies. Economic activity in the services sector was growing faster than in the sector manufacturing physical goods. Construction, transport, telecommunications, tourism, financial services, education, recreation and health are all considered 'services' in the economic sense. The idea is that the products of the services sector are not physical goods, but services required for the conduct of business and individual lives. This definition does not always work. Many physical goods are produced in the services sector as well, for example, houses, roads, books.

Having taken over the production of goods needed for physical survival and comfort, capitalist enterprises were in search of new avenues for investment and profit. While, on the one hand, these enterprises were opening up new areas all over the globe for business, they were deepening their penetration of already developed domestic

markets. They would provide for all kinds of needs previously fulfilled by the state, social institutions and traditions, or through simple modes of giving and receiving between people. This is how health, education, cultural festivals and security came to be increasingly commercialised.

Some of the traditional sectors of the economy were also increasing in complexity and required separate divisions for processing of information: for example, keeping track of freight wagons in the vast U.S. railroad system, managing the handling of containers in the shipping systems, booking of airline and railway tickets, manufacturing of spare parts for consumer goods, all these required the collating of information. The work force required to carry out these tasks through a bureaucratic machinery was too costly for the private enterprises and demanded a technological solution which the computer provided.

Capitalist competition and the culture of consumerism was also bringing about changes in the manufacturing sector. Any given product did not last very long in the market, since there was always a rival company developing a slightly different product with a slightly different appeal and incorporating higher technology. A product became obsolete in the market much faster compared to earlier times. This trend, in turn, forced people to buy new products even when not desired since the spare parts and other services associated with the product would not be available for long.

Each company had to engage in the continuous development of new products. Moreover, the manufacturing process had to be more flexible to start producing new products at short notice. This required a change from the fixed, assembly-line production process linked with the name of Henry Ford, the president of a U.S. motor car company.

Fordist production required the workers to perform very simple, repetitive tasks, like tightening a screw, over and over again, while the product moved through various stages of assembly. Charlie

Chaplin, in his film *Modern Times*, shows how human beings are reduced to the status of a machine-part in such assembly-line production. The quicker obsolescence of products demanded a more sophisticated technology which left scope for change in the design and nature of products at the manufacturing stage. On the other hand, the assembly-line tasks of a manual nature were automated, wherever possible. These changes meant that the workforce required more people with higher technological competence and lesser numbers of people for simpler tasks.

With the abundance of similar products flooding the market, there is very little difference between them for consumers to make conclusive choices. This intensified the marketing and advertising activities of companies. The symbolic value of goods – what the product looks like, what meanings of freedom or luxury it is associated with, which celebrity is shown to be using that product – for consumers assumes central importance. Companies started spending more money on the symbolic aspects of goods. As a result, professions and services associated with advertising, marketing and design proliferated.

Theories of Information-Society

These interrelated changes in developed economies that we have been describing led to a change in their occupational structures. More people were engaged in kinds of employment requiring linguistic, mathematical and technological skills. In the late 60s and early 70s, these changes encouraged some intellectuals in the U.S. to propound visions of a completely new society in the throes of birth. They called it the information society.

Material needs having been satisfied, they averred, human beings can finally turn to the satisfaction of more ethereal wants: health, education, culture, environment, travel, security, leisure, relationships. They also believed, or propagated, that the growth of information networks and mass communications will bring people and nations together. A new class of 'knowledge workers' will come into

existence which would include professors and managers as well as data entry operators and bus conductors. This class will diminish the power of the strong and the wealthy. A more informed and decentralised politics will emerge.

Such a vision of social change while noting the undeniable changes in the structures of developed capitalist economies, ignored the underlying continuity which in fact was propelling these economies towards greater 'informatisation'. The continuity was, as should be evident from our description earlier, the capitalist search for greater profits and the impulse of the U.S. to maintain its dominant position. Instead of a society which has overcome the demands of material necessity, today we see an even more intense struggle for survival in these economies. People are less healthy, working harder, for longer hours, there is greater criminalisation and violence, education is less accessible, and so on. These societies are even more in the grip of economic changes which are increasingly determined by the dictates of corporations and investors. Textbooks prepared by public relations departments of corporations are entering school and college curricula and students are exposed to their propaganda in return for 'charitable contributions'. Future generations are being prepared to be consumers and workers (even if knowledge-workers), which are all that the corporations need people to be.

An egalitarian class of 'knowledge-workers' was a pipe-dream. The only thing common to all 'knowledge-workers' was perhaps the fact that they were not making material goods. What can an army of clerks, or persons sitting at railway reservation counters, have in common with experts and managers? They cannot be expected to share political interests or a vision of society just because they are using their brains instead of muscles to earn their salaries.

For that matter, so-called 'knowledge-work' seems distinct only in contrast to mindless assembly-line work. Otherwise, all kinds of work involve knowledge and skill. The process of cultivating crops and trees and harvesting them requires a great deal of knowledge at every step. A good deal of updating of information is also part

of these processes. Communities living in forests would not survive a day if they did not use their brains.

Moreover, it is conveniently forgotten that in most non-capitalist and pre-capitalist societies, people did not have to work all the time just for the fulfillment of material and bodily needs. There were celebrations, festivals and a lot of time for conversations, singing, worship. Of course, there were great inequalities and some had to work very hard and while others lazed. Marshall Sahlins in his study *Stone Age Economics* avers that ancient societies did not dedicate more that 3 to 4 hours a day to material necessities.

Theories of the information society arose in the U.S. as beacons of optimism in an atmosphere of crisis and apparent failure. Internally, U.S. society was facing rebellions on many fronts: by blacks, students, anti-war resisters, and women. Externally, it was facing defeat in Vietnam and its economic dominance was being challenged by other developed countries. There was a need to sustain new narratives of projected social liberation in competition with the marxist ideology of the rival superpower, the USSR. Theorists of the information society tried to build an optimistic vision of social change based on certain economic trends.

There were also deeper cultural currents propelling thinkers in this direction. The concept of information was being increasingly used in explanations for a diverse range of phenomena in different sciences from biology to physics, and from communication and learning theory to management. In biology, August Weismann wrote a century ago that '*heredity is about the transmission, not of matter or energy, but of information*'. The concept of information has become essential to modern genetic theory of DNA. Communication is understood as an exchange of information. Slowly, the idea of information has come to pervade modern culture's understanding of the world. Knowledge of the world itself is explained as information processing. It was more or less inevitable in such an intellectual climate that social change would be interpreted in terms of information.

Moreover, ever since the industrial revolution, modern culture is characterised by a preoccupation with the power of technology to transform society. Especially in the U.S., there is a long tradition that regards inventions like electricity, the telegraph and the computer as harbingers of an ideal society. Some breakthroughs in information and communication technologies during the second world war and the period following it became ripe material for the weaving of new dreams.

Information and Communication Technologies (ICTs)

Before the invention of the telegraph, the communication of a message across distances required travelling by some means or the other. The telegraph made it possible for messages to be encoded as electric pulses which can pass through a cable to distant locations. The Morse Code was the means of translating messages from human languages into an ordered procession of electric impulses, which can be decoded at the other end to reproduce the original message. Later, the discovery of radio waves made it possible to transmit messages without the use of cables. Today, we have a vast chain of electronic communication networks spread across the globe using copper telephone lines, fibre-optic cabling, satellite technologies, different kinds of wireless communications. The basic principles, however, remain the same as the original telegraph.

Information technology is concerned with the manipulation of information. Computers are the prime example of information technology. Figures about the behaviour of a population which would have taken a state bureaucracy weeks to tabulate, discover relevant patterns and calculate aggregate figures, can be done by computers in a jiffy, provided appropriate programs have been developed. Word processing, or the manipulation of texts, is the most elementary task for which we use computers. What information is the computer manipulating and processing here? Certainly not the meaningful message contained in the text. Only human beings can manipulate and process this (how we are drawn into using the language of computers to describe human beings!). Everything has

to be reduced to the form of data which the computer can recognise. Each letter of the text and the ordering of letters is what the computer works with. The letters of the alphabet are symbols for us, for the computer it is a signal. Even instructions for the information machine in the form of computer programs have to be translated first into machine language.

The computer is called a form of digital technology. It is the success in the digitisation of the whole array of human forms of communication which brought about a technological revolution over the last three decades. It enabled the convergence of different communication technologies into the same network.

Images (including moving images), texts, sounds are broken into digital patterns. For example, each letter of the English alphabet can be represented by a unique sequence of eight zeros and ones (01011011, for example). A minute's worth of music can be reduced to a sequence of around 80 million digits. These digits are called binary digits and any number can be expressed by this binary system. The binary system has only two digits 0 and 1, in contrast to our decimal system which uses ten digits from 0 to 9.

Binary digits can be represented and encoded in a machine much more simply than other digits. An on/off switch can represent the two digits, or the presence or absence of a signal. The physical imprint of our meaningful symbols like texts, sounds, images are broken down into patterns of digits and then into signals by the computer. This orderly procession of signals is transported through wires or satellites to different places where they are put together back into images, words, sounds. The signals are emitted by tiny devices called chips. The whole process is powered by electric current. The possibility of distortion in the process of digital communication is reduced because the transmission system only needs to recognise the difference between two states: 0 and 1, or on and off.

It is not the fact that signals are transported but the fact that a certain order gets transmitted through the orderly procession of

signals, which is the most important. This order has the capacity to physically reproduce such a close likeness to the original image, or word, or sound, that the meaning is retained. However, it would not be correct to assume that the meaning of the sender is the same as the meaning of the receiver of the message. An image of the poor riding junk cars in the U.S. may evoke visions of prosperity in an Indian audience.

The technical processes described above require machines with enough capacity to process great amount of data at great speeds. Earlier computers were very big in size and only large institutions and wealthy corporations could afford them. The progressive miniaturisation of computer chips resulting in the advent of personal computers has been a major factor in the spread of new information and communication technologies.

Once it became possible to reduce all forms of communication to data which can be stored and re-transmitted in some suitable medium, it also became possible to think of all texts, music, images as information. The information contained within an image can be extracted from the supporting medium and stored or transmitted in the form of computer data. Whatever be the nature or source of communication, it always passed through the condition of being information.

Institutions and Systems of Information

In pre-modern Europe, knowledge passed from generation to generation as language, culture and traditions or through institutions like the church and universities. As such, most knowledge had a public character in that it was socially owned. The state in its effort to create and sustain a national culture retained this public character of knowledge and information. As we noted in an earlier section, the modern nation-state heralded the institutionalisation of information as a form of knowledge and invention of new means of communication such as newspapers. Since then, a myriad of state institutions and private enterprises have grown dealing with information and the media.

There are a number of institutions engaged in the creation and communication of information in contemporary societies: research organisations, think-tanks, mass media (press, TV, films), library and information services, universities, government departments, postal institutions, telecommunications. The increasing privatisation of these institutions and services has been a feature of the globalisation process. The mass media in developed countries, however, had begun to be run as private enterprises much earlier. Newspapers for long retained the character of public, social institutions providing a range of news and opinions on matters of public importance, even when run as private enterprises. This was possible because of the separation of editorial functions from the business and advertising aspects of the newspaper, though this separation was never complete. Newspapers have begun to function like brand names under which various information products are sold. Editorial departments become adjuncts to the advertising department. National newspapers like *The Times of India* can sell the whole of their front page to big advertisers.

The post-second world war era saw the mass media entirely losing their character as institutions of public information and becoming totally commercialised. Television programmes especially became tools of commerce. Television programmes were sold to the audience and the attention-span of the audience was sold to the advertisers. Gradually, the purpose of programmes became the creation of particular audiences who could then be sold to particular advertisers. A specific kind of programme would attract a typical audience suited to the advertising messages of certain products. The purpose of programmes became to attract ever-larger audiences and hold their attention for the marketing messages during the breaks. Perhaps this description of television as a whole is a bit unfair, but the trend is unmistakable. This function of the media has been intensified and globalised in recent times with the creation of global markets.

The commercialisation of the media did not prevent it from tailoring news and current affairs programmes to the needs of the state in

the U.S. and other developed countries. This was especially evident in matters of global politics and the third world. Noam Chomsky and his collaborators have extensively documented and analysed the self-censorship that the U.S. media excercised in the interests of the state and big businesses, distorting the perceptions of their citizens. Moreover, the extensive use of television in U.S. election propaganda has changed the nature of political discourse itself. How the candidates are presented and sold to the audience is decided by media and public relations professionals. The substantive issues of society are relegated to the background.

Apart from the biases that the media served to promote, the world-wide circulation of information was (and is) structured in a way which made the news and views produced in developed countries the norm for the whole world. World news for most newspapers were supplied by a few agencies like Reuters. The news that was sent from all over the world was selected for its relevance by people sitting in the headoffices of these agencies in developed countries. They also decided which stories need investigation and sent journalists on these assignments. Moreover, these agencies were themselves part of the media and thus shared its broad interests. As a result, the news of the world that we read in the third world was and still is permeated by western perceptions. In such an information system, news from neighbouring third world countries as well come to us filtered by these agencies.

In response to this situation, third world countries promoted the idea of a New International Information Order (NIIO) and tried to establish their own news agencies. A third world news agency called Inter Press Service (IPS) was established, which continues to function. All this should not blind us to the professional standards of reporting and writing and occasional excellence of analysis in the western media, which is worth emulating. There has also been a marginal space for dissident opinion in the western media.

With the emergence of globalisation, the idea of NIIO has fallen by the wayside. Satellite and digital technologies have made it possible

for television programmes to be beamed simultaneously across the world. The media as well as telecommunications have seen a wave of privatisations. A possibility of merging all kinds of data flows on the same network of communications has emerged. But it is really the development of internet which has given credence to the talk of an 'Information Age'.

The transmission of computer data through telephone networks to other computers and the development of protocols for exchange of data between computers have made internet possible. In this way, computers are connected in a world wide web. What makes internet so unique an information system are the interesting ways in which one can move from one site of information (called a web site) to many others according to one's choice. This was made possible by the development of hypertext. In a hypertext, each word may lead to a host of different sites.

Internet was developed in research institutions engaged in militar
research. One purpose was to develop a communication system
which does not depend on a centralised node. The destruction o
this centralised node in the event of a war would have disrupte
communications entirely. Therefore, a decentralised system wa
developed where data is compressed into packets and sent to a
address. Packets of data search for the fastest route to th
destination. If one route is not available for some reason, they wi
find another one through the web of communication lines an
computers.

Internet was thrown open to academic and public use gradually. I
the U.S., many social organisations began to make use of intern
to network and communicate information. It combined the spee
of telephones with the scope of postal communications in th
sense that large documents could be sent instantaneously. Moreove
these documents could be electronically duplicated easily and cheap
Electronic mail developed as a fast and cheap means
communication between people living in far-flung areas.

The most attractive part of the internet for political and social organisations was its decentralised nature, where anyone can put out information on web sites which in turn can get a 'hit' from anyone else browsing the internet. Internet revived utopian dreams of a truly free information society which had foundered after the initial upsurge.

The U.S. has the largest number of people connected to the internet; around 35% of the population. Other devleoped countries are trying to catch up. In countries like India, connectivity is increasing very fast, but remains miniscule in absolute terms. After all, only a minority have access, at home or at the workplace, to a telephone connection and the personal computer necessary for internet connectivity.

THIRD WORLD IN THE INTERNATIONAL SYSTEM

The period from the end of second world war to around the mid sixties is characterised as the boom years in the developed economies. The international economic system is described as being fairly stable at this time. But what was happening in the countries of the third world? Most of them had acquired independence from the colonial powers during this very period.

The newly independent countries wanted to industrialise themselves and raise the living standards of their people to the levels of those in developed countries. But to attain such development they needed credit, technology, and aid, which the western world was only too keen to provide, provided the 'development' was of a nature that suited them.

One may question the idea of development that was prevalent, but it can not be denied that it reflected popular aspirations to a great degree. Most people (at least in the metropolitan centres) aspired for the lifestyle, at least the material lifestyle, of the western world. This lifestyle was demonstrated in the developed pockets of the third world itself, before the age of electronic media came about.

Anti-colonial movements everywhere were premised on the principle of non-domination of a people by another people and as such harbored democratic values at their core. But it was the nationalist ideology which took priority over everything else. Similarly, in the post-independence era, it was development and raising of living standards which took priority over democracy and justice.

But after years of pursuing these development policies, these countries were nowhere nearer to their goal. If they followed the path recommended by the western world, they found themselves mired in increasing dependency. If they attempted an independent path, they risked military and other harsh actions from the powerful nations. A few examples of the latter:

> The U.S. Central Intelligence Agency (CIA) overthrew the democratically elected regime of Guatemala headed by Jacobo Guzman Arbenz in 1954. "The Arbenz government had dared to expropriate fallow land belonging to the US-based multinational United Fruit Company for redistribution to the poor. The company did not consider the compensation offered by the Guatemalan government, which was based on the company's own evaluation of the land for tax purposes, to be adequate. It turned to the U.S. government for "help", with results which are now well-known. The violent rule by the military and the death squads continues into the 1990s."
>
> "In 1953, the U.S. government played a central role in ousting the elected government headed by Mossadegh who wanted Iran to control its own oil resources. The U.S. and British governments installed the Shah of Iran as the dictatorial head of Iran's government. He brutally repressed opposition, which became more and more confined to religious institutions." [Both quotes are from Makhijani: *From Global Capitalism to Economic Justice* p. 18-19]

By 1977 roughly 20% of the Gross National Product in Iran was being spent on military expenditure. In seven years (1970 to 77)

Iran ordered arms worth $18 billion from the U.S., which must have pleased the U.S. arms industry. The Shah's regime prevented left revolutionaries from gaining ground in the Gulf. For example, 35,000 soldiers were sent to Oman to combat a left revolutionary movement.

- In Vietnam the U.S. sought to establish a puppet regime and suffered a major defeat in the late sixties.

- In 1973, U.S. corporations and government agencies including the CIA collaborated with Chilean military, business and some political forces to overthrow the Popular Unity Government of Allende which had come to power through elections and wanted to pursue independent national economic policies like nationalisation of foreign-owned or privately owned companies.

Such attempts on the part of third-world countries were understood as assertion of economic nationalism and were actively thwarted and discouraged by the leading powers. Those countries that chose to take the aid-dependent path did not have much independence either.

Teresa Hayter studied the situation in four countries of Latin America – Colombia, Chile, Brazil and Peru - in the late sixties. She did this study for the Overseas Development Institute (ODI) and it was financed by the World Bank. They eventually refused to publish the study. She studied the three principal agencies involved in the Western aid programmes - the World Bank, the U.S. Agency for International Development (now USAID), and the IMF. She found that these agencies were using aid as a leverage to persuade the host governments to follow a set of economic policies designed to uphold the existing international framework of the capitalist world. These policies shift the priorities of national policies away from the needs of their societies. These policies are concerned with sustaining the ability of these countries to repay debts by stabilising their balance of payments, privatisation, maintaining the patterns of international trade. *Right-wing and military dictatorships with little or no*

concern for development are acceptable and indeed typical recipients of aid, so long as they offer the prospect of economic and financial stability." [Hayter: Aid as Imperialism, p.152] The recipient governments collaborate willingly many a time, since the alternative may be even more undesirable for the ruling classes.

Now if we want to find a name for the whole process or system, some fragments of which we have listed above, we can call it imperialism or neocolonialism or capitalist underdevelopment or unequal development. These were the theories that emerged among the countries of the third world to explain and understand the contemporary state of affairs on a global scale and to discover fruitful avenues of action.

These theories conflict with each other at some points, and often incorporate elements of each other as well. We need not feel unnecessarily worried at this pluralism of theories. The realities are complex, and we may not always have one single theory to explain and understand all aspects of the reality. If we are trying to make sense of the apparently changing and sometimes inconsistent U.S. policies in the field of economics and international politics over a period of time, it seems possible to do so if we broadly categorise the goals and objectives of U.S. policy world-wide as imperialism - to dominate and control the rest of the countries. If we take into consideration U.S. military bases and soldiers worldwide, it does seem that we have been living under the threat of an imperial power.

Neocolonialism addresses itself to the question that even after attaining political independence, countries of the third world are trapped in an economic relationship with the former colonial powers, which resembles that of colonialism. In other words, neocolonialism is the system by means of which the ex-colonial powers seek to maintain power over former colonies. Multinational corporations are just one of the tools of such neocolonial powers.

The theory of underdevelopment challenges the assumption that economic development occurs in successive capitalist stages and

that the situation of the third world countries now is similar to the pre-capitalist phase of developed countries. It argues that while capitalist development was taking place at the centre (in what are now the developed countries), a process connected to this – underdevelopment, was taking place at the periphery (what is the third world now). So it is fruitless to expect underdeveloped countries to develop through the same policies and same stages as the current developed world did in history.

International Trade and the Third World

The third world could be divided roughly into three groups, if we are thinking mainly of international trade:

> those countries that exported fuel (mainly oil). More than 30% of the total exports from all developing countries, the foreign exchange earnings from fuel were going to only 6 countries constituting less than 3% of world's population.
>
> those countries that were highly dependent on the export of commodities. Commodities include agricultural products like cocoa, banana, sugar; minerals like tin, copper and raw materials. Some of these countries were so dependent on just the export of one commodity that their economies would be shattered with fluctuations in the market for that commodity.
>
> then there were countries where it was possible to increase earnings through the export of manufactured goods. In 1970, there were just about 15 third world countries where the share of the exports of manufactured goods was more than 20% of their total exports. India was one among them.

Developing countries exporting commodities were discouraged from processing these commodities to a greater extent. If you process a commodity before you sell, you have more control over the processing phase too. Moreover, the profits, which accrue from the processing activities also remain with you. The domestic processing

of commodities was hampered by tariff and non-tariff barriers imposed by developed, importing countries. According to the Brandt Report (1983):

"*Developing countries can export rice to the European Community free of duty; but they face a 13% tariff, or variable import levies, on many forms of processed rice and rice products; the U.S. puts a tariff of nearly 15% on milked rice. Untreated wood goes in free to Australia, but the duty on swan timber was recently raised from 7 to 14%. Crude palm oil faces a 4% tariff in the EEC, when it is semi-refined, the tariff is 12%... There are also non-tariff barriers and technological regulations which hinder domestic processing.*" (p.142-3)

A further block to a higher degree of domestic processing was the practice of higher freight or shipping and transport charges for the processed commodities. Shipping services were largely owned by affluent countries and multinational corporations. The situation was similar with clearing houses and warehousing facilities.

Before a product reaches the ultimate consumer it goes through a long process. For example, before we eat chocolate, the cocoa seed is sown, it is harvested when the crop is ripe, and it is then refined, packed, shipped, processed, packed again and then sent to the retailers. There is profit to be made at each stage, but each stage also requires certain capacities.

The income from all these economic activities was part of the national incomes of the developed countries. This was not all. The exporting countries' weak financial or foreign exchange position would force them to sell their commodities under unfavourable circumstances at low prices. Fluctuations in the exchange rate of currencies in which prices were quoted cause further unpredictability to the commodity prices. Affluent buyer countries possessed the 'market power', which accrued from their buffer stocks, superior commercial diplomacy and their capacity to wait and adjust.

Multinational corporations functioned as middlemen and service-suppliers. For example, most bananas sold in Western markets – a substantial source of earnings for the so-called 'banana republics' in the Caribbean and Latin America – were marketed by two companies which bought the crops from plantations and could set the world-prices to suit their interests.

In general, the link between the producers and the world-market was not direct. As a result, the prices received by producers in one country may be less than what is quoted as the world market price. The Integrated Commodity Programme evolved by the UNCTAD and the resulting Common Commodity Fund were supposed to tackle these difficulties of the exporting countries.

The New International Economic Order (NIEO)

Just a decade before globalisation came to the centre-stage of the world, it was a Cold War situation between the two superpowers – Soviet Russia and the U.S. – which dominated the international arena. Majority of the countries wanted to keep themselves independent of both groups as far as possible. Their economies were faltering and they initiated an attempt to reform the international economy towards a New International Economic Order. The diagnosis of the economic problems as well as the solutions sought were completely different from what globalisation offers.

In the seventies, many third world leaders were aware of the realities of the international system and most of them were nationalists. They did not want to upset the balance of power between different classes in their own countries beyond a point. They thought they could negotiate with developed countries to bring about changes in the international order. The social-democratic tradition within developed countries supported them in this effort.

They argued that there were inherent imbalances in the world economy. They appealed to the shared goal of world development.

They argued that the developed and the developing countries were interdependent - each one needed the other. The U.S. president J F Kennedy had used this concept of "interdependence" in the context of relations between the U.S. and Western Europe.

The first and the most important focus of the third world was the unfavorable terms of trade between the undeveloped and the developed countries. The undeveloped regions were mainly earning foreign exchange through export of primary commodities such as minerals, or agricultural products like cocoa. They were primarily importing manufactured goods from the developed countries. What they found was that the prices of their exports kept falling and the value of imports kept going up. That is, with the same amount of exports they could increasingly finance lesser and lesser amount of imports. So there was certainly some inherent inequality in the mechanisms of price determination.

Even when it came to the export of manufactured goods like textiles by undeveloped countries, they found that the markets of the developed countries were well-protected against such exports.

So they demanded the creation of a new international economic order. NIEO did not demand the dismantling of world-capitalism. It argued that the international economy needs to be regulated so as to promote worldwide development and more equal participation by all countries. They would not have been heard, but for the oil shock of 1973, when the oil-producing countries of the Gulf and the Americas organised into a cartel (OPEC: Organisation of Petroleum Producing Countries) to control production and demand a higher price. Developed countries were forced to discuss the proposals of NIEO if not to actually begin negotiating any changes. Third world countries were showing unprecedented solidarity and the shadow of a threat of collective secession from the world economy existed. Third world countries were aware of some power they had over the developed countries. They passed a resolution in the General Assembly of the United Nations declaring the necessity of a New International Economic Order.

Two initiatives went further than the discussion phase: an integrated programme for the commodities and the evolving of a generalised system of preferences for exports from developing countries. UNCTAD (United Nation Commission for Trade and Development) played a major role in both.

V. The Crises in the World Economy and Emergence of Globalisation

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THE CRISIS IN THE U.S.-LED SYSTEM

The western world was shaken by the movements of students, workers and citizens towards the end of sixties. The U.S. was particularly affected in this period. It was fighting a losing war in Vietnam to establish a puppet regime. There were anti-racist and anti-war movements of a militant nature.

The U.S. debts kept on increasing even further because of the Vietnam War. The U.S. economy went into a recession, which helped reduce the demand for imports and borrowing resulting in a slight stabilising of the deficit. In 1971, the U.S. President Nixon announced that the dollar was no longer convertible to gold. This was a unilateral breach of the Bretton Woods system by a country which owed $61 billions to foreigners. So the lenders of those dollars had no choice but to make the best of it. The U.S. also announced a 10% surcharge on all imports forgetting for the moment the virtues of free trade.

By 1973, the Bretton Woods system was formally announced to have ended. The Gold Pool had been abandoned even earlier. The U.S. was no longer in a position to continue with its earlier policies.

Then came the oil-shock. This was to the U.S.'s advantage vis-à-vis other developed countries. The U.S. has substantial oil production and substantial prospects of more production. Increased oil prices made it economically viable to explore this potential. The

U.S. still had to import oil and its cost was going higher, but the effect on other oil-importing countries of the developed as well as developing world was more substantial. The U.S. also initiated an economic and political understanding with the USSR. The U.S. was prepared to devalue the dollar now. European countries had to see to it that it was not devalued too much as it would make U.S. exports much cheaper than European exports. Moreover, by this time, most private banks and other institutions held a great amount of dollar deposits, whose value would come down with the devaluation. Currency speculators and banks might have responded to devaluation by starting to sell all their dollars. This would lead to a crash in dollar value and endanger the stability of the international monetary system itself. So a lot more people had a stake in dollar's value now.

The U.S. did devalue the dollar a couple of times but was forced to maintain high interest rates to avoid a speculative attack on dollars. The Carter administration in the late seventies changed its course midway from a expansionary employment-generating policy package to a monetarist policy package concentrating on controlling money-supply and inflation. This marked the abandonment of Keynesian policies of a Welfare State and adoption of the neoliberal agenda. We will discuss this shift in another section.

The seventies and eighties saw a great deal of fluctuations in the exchange rates of prime international currencies. This resulted in severe problems for developing countries with their large debts and very little control over these fluctuations. In the eighties, developed economies saw a period of low inflation and high interest rates. So the interest payment for third world debts also mounted as a result.

It should be noted here that monetary and financial policies have to change according to situation in an interconnected worldwide financial context. Moreover, the effect a policy has is different in different situations. We have been attempting to show that these policies especially in the case of developed countries were strategic in nature and did not follow a fixed doctrine. It was instead meant to retain old advantages, create new ones, and manage crises. There

were internal political constraints on these policies and they frequently changed when elections were approaching.

When elections approached, the party in power sought to implement expansionary economic policies. These policies result in expanding the economic activity thereby encouraging new investments and more employment. One of the instruments for doing it is to lower the interest rates thus making people invest more and also buy more. Another instrument is fiscal policy, which is concerned with the incomes and expenditures of the state. The government may allow itself to go in deficit – the so-called budget deficit – while increasing public spending to facilitate growth. The government prints more currency to meet the deficit or borrows. The government may borrow from the public by selling tax-free certificates or from banks and other private financial institutions by selling government bonds. Or the government may borrow from foreign governments, commercial banks or international institutions. But if all governments begin to follow such policies, it will threaten the world monetary system itself because of the amount of unpaid debts.

Another dimension of fiscal policy is tax policy. Income tax is levied on income and usually affects corporations and the higher earning strata of the society more. Sales and excise taxes are levied on goods being sold on the market and affect the broader society. Expansionary policies usually require a lowering of taxes, so as to boost the demand for goods.

But the independence of even the western governments to follow such policies has been somewhat restricted or their freedom not to follow such policies has increased in the age of globalisation, depending on how you look at it.

THE CORPORATE AGENDA

The Welfare State that had worked for the corporations and the business class in the years following the second world war, was

beginning to fail as far as the corporate world was concerned. The profit margins of these companies were becoming narrower, i.e., rates of returns on the capital invested were reducing, partly because of the increased competition. Environmental and health awareness also made it more difficult for corporations to make great profits. They had to spend on, for example, environmental technologies to treat effluents. They could not tamper easily with the labour force, reduce the workforce or cut wages, as Unions had come to occupy a strong social legitimacy in the Welfare era. At this time, in the early and mid seventies, third world exports were also rising and so were the prices of their exports. This threatened competition as well as higher prices for raw materials. So the production costs of all kinds were mounting and the profits were declining.

Slowly, the business and political elite evolved strategies to move away from the earlier social consensus of Welfare Capitalism to a free market philosophy. This open-ended plan has been called the 'Corporate Agenda' by some. Later, it developed into what came to be popularly known as the 'Washington Consensus'. Around this time, an attempt was also made to create a consensus among the elite classes of the U.S., Western Europe and Japan to safeguard the interest of Western Capitalism as a whole which was going through crisis after crisis. Trilateral Commission was founded by the banker David Rockefeller and other eminent members from business, government, the academy.

We recall here that around the same time the demand for a New International Economic Order by third world leaders had been made. Now we can see this demand as an attempt to have Global Welfare Capitalism. This means a different kind of globalisation, so to speak. It is not clear whether it would have ultimately worked, since it shared the vision of resource-intensive consumption and capital-intensive production with its opposite, the corporate agenda. Third world leaders wanted more capital and more consumption. They had the merit of recognising the inequalities among the classes of nations in the world social order.

The corporate agenda also recognised this inequality and built upon it to retain the advantage the west had. They also recognised the hunger for capital and consumption and capitalised on that. In any case, the point is that world capitalism was going through a crisis and a broad consensus of the developed countries' elite emerged about how to tackle it. The set of ideas that present this strategy as the ideal or the only way is known as Neoliberalism. Of course, neoliberalism sources its ideas from older currents of capitalist economic thought.

There were four interlocked components to this broad corporate strategy:

a. Capital Mobility

The idea was to reduce production costs by increasing the ability of capital to be mobile. Mobility offers the chance to move to low-cost areas. The threat of mobility drives down the costs. Nations or regions or localities are ready to put up with wage-cuts, cuts in other worker benefits, lowering of safety and environmental standards in order to retain the company's investment in their area. This new mobility became visible first when corporations from the developed world began to move production to the export processing zones of the third world. This form of capital is known as Foreign Direct Investment (FDI). FDI and multinationals which invest in foreign lands have existed earlier but they worked under various elaborate contracts with the host government and they needed a strong home presence. Now investment from the developed countries also would move to a place where the costs of production were lower.

There is another dimension to the movement of certain kinds of manufacturing to the third world from the developed economies. It is reflected in a internal memo written by the then chief economist of World Bank Lawrence Summers who now holds a high position in the U.S. economic administration. He opined in this memo that it makes perfect economic sense to shift environmentally hazardous

industries to the third world, apparently because the cost of lives and environmental destruction are much less there. The suspicion that there may be such a strategy being followed is strengthened by another anomaly in the discourses of all leading international agencies and governments. It has been shown beyond doubt in numerous studies including the Global 2000 report to the U.S. president that it is impossible for the whole world to attain the consumption levels of the developed world. The natural resources needed for such a development would require at least 4 or 5 earths like ours. Still, these agencies go on propagating such a development. A change in course of industrial development from what the developed countries have gone through will halt this process of transfer of risks and costs to the poorer parts of the world.

This capital mobility was greatly enhanced by the development of global capital markets and 'stateless money' in the form of Euro-dollars. A worldwide market in stocks, bonds, currencies and other financial instruments in conjunction with new information and communication technologies began developing. This form of capital is not wedded to a production enterprise. But these enterprises can raise money more easily from such capital markets. Such financial investments are also known as Portfolio Capital.

The new strategy required removing obstacles from capital mobility of both kinds. As a matter of fact, there is increasingly less distance between the two kinds of investments, in that Corporations increasingly are involved in financial market operations.

The largest investors in today's money markets are not individuals. They are banks, insurance companies, pension funds and other kinds of financial institutions. So a lot of this money has accumulated from the labour, savings and the desire to guard against risk of a broad cross-section of people from developed countries.

b. Corporate Restructuring

Older forms of corporate organisation are not suitable for a fast-changing economic environment of great uncertainty. So they restructure themselves to make themselves flexible. Bennett Harrison has outlined four elements of this restructuring: *First, corporations pursue lean production by 'downsizing' in-house operations to 'core competencies', farming out other work to 'rings' of outside suppliers. Second, they use computerised manufacturing and management information systems to coordinate their far-flung activities across organisational and national borders. Third, they build strategic alliances with one another, both within and especially, across national borders. Fourth, managers attempt to elicit active collaboration of their most expensive-to-replace workers through various kinds of worker participation.*[Quoted in Brecher and Costello: *Global Village or Global Pillage*]

Corporations increasingly work through a complex network of decentralised production and alliances with one another, with governments at all levels, with smaller companies who act as their suppliers and subcontractors. This network is tightly controlled by the top management using the new information and communication technologies and other means. So there is a concentration of control combined with a decentralisation of production.

One of the effects of these developments has been a growing inequality between those who work in these corporations and those contingent workers frequently housed within small business suppliers and subcontractors. In the industrialised countries, this has given rise to the problem of 'working poverty' in which people work for a living but do not earn a living wage.

It is well-known that these corporations are huge and bigger than many national economies in terms of the productive assets they own. What is less known is the complex alliances they have among themselves. To take the example of automobile industry, *Ford owns 25% of Mazda; General Motors and Toyota are involved in a joint venture; General Motors owns part of a Fiat subsidiary in United States; Fiat owns*

48% of a Ford subsidiary; Nissan produces a German VW in Japan, while in Brazil and Argentina, VW and Ford have a joint venture called Autolatina.[Brecher and Costello: Global Village or Global Pillage]

c. Monetarist National Policies

The essence of monetarist policy consists in controlling the money supply through central banks and balancing budget deficits by cutting social expenditure. It results in reduced inflation and higher interest rates on credits. One can see that low inflation and high interest rates suit those who have surplus capital. The value of their money should not come down faster than the interest rates they earn on them. The difference between the prevailing interest rates and inflation is known as real interest rates.

The policy package demands that the government not interfere too much in the economy apart from controlling money supply to acceptable levels. There is a demand for more flexible labour markets, which means that corporations should have more freedom to hire and fire at terms they determine. There is also a trend to shift the tax burden from levies on income to sales tax or value added tax (VAT). The logic is that it will encourage people to spend less and save more and also motivate them to take investment risks for earning more income.

These policies amount to leaving even social programmes and services like health, education, libraries, other kinds of care to private initiatives which are motivated by profits. Ultimately, monetarism is a programme to dismantle all the non-market government and social institutions and programmes which have evolved through long struggles in the developed countries. But how do the people of these countries allow for these changes to occur? Aren't these democracies?

There has been a steady deterioration in Western democracies over the decades. Now there is a growing apathy among citizens of these countries towards political processes. The number of people

who vote is decreasing. People generally blame politicians for all the ills of over-industrialised societies and they do not see the role of big business in politics. The media projects the new policies as the only way out and is a part of big business itself. Problems of unemployment, crime, social decline are blamed on aliens, immigrant communities. There is the growing popularity of anti-immigrant, racist political parties and currents of thought (known as the far right or neo-nazis). These parties claim to speak on behalf of the majority, the so-called real citizens. Recently, in Austria, the first such party came to power in a coalition government.

The beginning of the eighties saw parties and politicians espousing free-market philosophies sweep into power – Reagan in the U.S., Thatcher in Britain, are examples. Mitterand in France tried to go against the current at the start of his tenure, but was forced to fall back in line, through the power of global financial markets and the prevailing consensus. More recent times have seen more left and socialist parties coming to power like the New Labour party in Britain and the Green-Social Democratic coalition in Germany. But they are also following essentially neoliberal policies. The new German finance minister had to resign as he wanted to impose green taxes and follow other socially progressive policies with respect to business.

d. Global Economic Governance: WTO/MAI/patents

The GATT (General Agreement on Trade and Tariffs) was formed in 1948 to formulate rules governing tariffs, quotas, and other measures which countries use to protect particular industries or sectors. This was done through negotiations between the member countries. The U.S. was interested in promoting 'free trade', just as the British had been in their heyday. A new round of negotiations started in 1986 in Uruguay. The U.S. put forward proposals to radically expand the scope of negotiations to include such matters as environmental and consumer protection, labour law, worker health and safety protection, food security policies, national industrial planning, plant closing legislation, and restrictions on the foreign ownership of industries. These were called 'non-tariff barriers to

trade'. The rationale was that different laws and rules regarding these give unfair advantage to some countries over others.

If a country has stringent environmental and worker safety law, it increases the cost of production for industries there. This issue reemerged in the latest WTO negotiations in Seattle. In the Uruguay Round, they were put on the back burner. Developing countries are reluctant to agree to these provisions, as they would reduce whatever limited competitiveness their products enjoy in the world market. But, isn't the corporate agenda also opposed to such measures, since it will take out the advantage of moving to low-cost areas? That is why we should probably see the attempt to bring up these issues by the U.S., as a lever to extract other concessions from the third world. There are also growing concerns in developed countries that the jobs from there are being transferred to the third world.

The real issues were the other ones, though, at the time, which involved removal of tariffs and quotas, creation of flexible labour markets (freedom to hire and fire), rights of foreign ownership, abandonment of industrial planning, and so on. Another issue was the protection of intellectual property rights of corporations or patents. These are meant to promote the corporate agenda.

More than a 100 member countries participating in the Uruguay Round, which together accounted for four-fifth of world trade signed an agreement to transform GATT into a World Trade Organisation. GATT was a contract among countries whose rules any member could veto or opt out of. In contrast, the WTO is a 'legal personality' like the United Nations or the World Bank, whose rules are binding on the members. The rules are formulated through negotiations between member countries, but once the rules are formulated, a bureaucracy of experts monitors them.

At the centre of WTO functioning is the Dispute Settlement Procedure. A member country can challenge the law of another country as violating WTO rules. Then a panel of three trade experts will deliberate on the issue. No other parties are allowed to speak

to the panel. Whatever decision is made by the panel can be appealed against. If the appeal is rejected, the only way to reverse the decision is when each and every member including the complainant agrees to do so.

Another step toward the fulfillment of the corporate agenda started in secrecy in 1996. Some developed countries and big corporations were working out a Multilateral Agreement on Investments (MAI). MAI would imply a substantial reduction in the powers of governments to interfere with private transnational interests. It is, in fact, a charter of the rights of foreign investors vis-à-vis host governments and societies. It is the dream of free capital mobility come true. The MAI as such has been abandoned after the initial draft was leaked and even some developed countries were opposed to it. But it is making an entry into the WTO negotiations. After all, it is the next logical step of globalisation.

THE BUSINESS OF INFORMATION

We have seen the role new information and communication technologies(ICTs) play in the corporate agenda of globalisation. Whether it is trade in financial markets or the management of globally spread networks of manufacturing, ICTs play an integral role. In this section, we discuss trade in the commodity of information itself which is growing very fast, riding on the back of emerging global communication networks. The commodity of information is somewhat peculiar in that it does not get exhausted with use. Moreover, information can be duplicated endlessly, almost without any additional costs by using digital technologies. By its very nature, information is a public good whose use can be restricted only by a lack of access.

You can not do business in a commodity like this, scarcity being an essential attribute of goods for which people will pay money. Information has to be owned privately to make it scarce. This is done through the legal means of intellectual property laws: copyrights, trademarks, patents. These laws treat information and

knowledge as property giving monopoly of use to the owner of that knowledge or information. In a global economy, intellectual property laws have to be enforceable worldwide to be effective. Therefore, nations that are net exporters of informational goods have an interest in dismantling any legal regime around the world which is drawn from the tradition of communal ownership of information.

INFORMATIONAL GOODS

Goods can be informational, in production, consumption or both. From the production point of view, goods are informational to the extent that their production is the result of symbolic construction rather than physical manufacture. From the consumption point of view, goods are informational to the extent that they are valued for their symbolic component, rather than for physical use. So the category of informational goods includes television and radio programmes and computer software downloaded from the internet. It also includes newspapers, books, magazines, CDs, tapes and videos and computer software sold on disk. Although all these goods are physically manufactured objects, it is their symbolic component (the music, for example) which is of value in their use, and which will most likely be the determining factor in their production. Computer hardware, televisions, fax machines and telephones, as well as the electronic networks which link these together, are also part of the informational economy because they provide the architechture which makes information flows possible. Tourism, education, and knowledge-based fields (for example, financial consultancy, design services, data processing) are also infromational as their value rests on symbolic manipulation.

[Arun Kundnani: *Where do you want to go today? The rise of information capital*]

Intellectual property law seeks to protect ideas for its legal owners. But ideas always carry the trace of past ideas and can always be developed further to create new ideas. So, a firm or an individual can take up a bright new idea and modify it further for its or his/her own purposes. This makes the protection offered by the intellectual property law imperfect. Therefore, firms invest heavily in research and development to explore and use all profitable spin-offs from their own innovations. In this way, they commit themselves to perpetual innovation. This leads to the ever-faster obsolescence of products in an economy of informational goods. Many software and microchip products now have product cycles of six months or less, i.e., the time between the launch of the new product and its becoming obsolete is only six months. The marketing of some products which themselves change very little shows the same trait of perpetual innovation. Companies like Coca Cola, Pepsi, McDonalds and Nike seek to dominate the market through sheer marketing. Their advertisements, packaging, discount and prize offers are perpetually changing.

This dynamism of the informational economy comes, however, with increased risks. The cost of innovation is very high and the product cycles very short. This makes failure more probable and more expensive. But success is very profitable. Digital technology makes it possible to duplicate information at no extra cost. If a company sells its intellectual property through intense marketing to a great number of people, it can make large profits even in short periods.

Multinational corporations were best placed to exploit the opportunities offered by information trade since they had the necessary capital to invest in intellectual property, research, and marketing, and take the associated risks. Like other sectors of the globalised economy, the informational sector is characterised by growing alliances and partnerships between companies. In the personal computer (PC) industry, Intel supplies the microchips, Microsoft supplies the software, and IBM, Compaq or Dell combine it all together into a single box. The risks and costs are thus spread

out and each of these companies is able to dominate its own area of expertise, instead of competing with each other.

There are many smaller firms operating in the information economy as well. These include small teams of experts who find that they can be more flexible and creative working outside the large multinationals. But most of their work is ultimately used and marketed by the same multinationals. Silicon Valley is often cited as an instance of how the information economy is bringing about a transition of capitalism to the era of perfect competition between independent small firms without market manipulation by large monopolies. In fact, Silicon Valley has been successful because it combines the advantages of small organisations with the power of multinationals which provide large investment funds along with marketing and distribution networks.

Trade in informational goods has grown at a fast rate. The U.S. is the largest exporter of these goods. Computer software, entertainment products (movies, videos, games, music), information services (databases, online news and information), technical information, product licences, financial services and professional business services account for a large proportion of U.S. exports.

What we have been talking about so far is the market of information or data. But these markets function within the market of communication networks through which data flows. Telecommunication networks and services are being liberalised. The prices of long-distance communication which had been maintained at artificially high levels are drastically coming down. The large monopolies which controlled the local, fixed connection to homes and offices remain important. Even internet has to be connected to users through local telephone lines. New entrants in the business have to rely on existing networks, since the cost of laying cables is too high. Just like we saw in the market of data, the market of networks is characterised by large corporations with a lot of smaller firms offering specialised services based on the network capacity of large monopolies.

Information circulating on the internet was initially largely non-commercial. In the increasingly globalised economy, internet is gradually losing its non-commercial character and instead becoming a vast electronic transaction system spreading through the homes of world's most affluent consumers. With the rise of electronic commerce, goods and information are traded through the internet. Some people see the dawn of a new era of capitalism on the net, where everyone is capable of opening a 'shop' and marketing their cultural products on the world wide web, free from the brutalities of the shop-floor and the dictates of nation-states.

Earlier media technologies like radio, TV and video had also inspired the hopes of a more democratic society through enlightened public discourse. But their domination by the state or commercial interests transformed these technologies into a system of either indoctrination or entertainment and hard-sell. We can not deny the possibility that the same is happening with the internet. Recent trends of building huge portal sites which offer the route to other selected sites to fulfill every need reminds one of the supermarkets which replaced neighbourhood trade. Once the information superhighways are in place, the smaller wayside shops will be difficult to find and chain stores will take their place.

The U.S. has taken the initiative to promote the building of a global information infrastructure (GII). Al Gore, the U.S. vice-president, declared in 1994, that GII will 'provide the world with a set of superhighways on which all people can travel'. These are the 'information highways', meaning electronic communication networks consisting of fibre-optic cables making possible faster transmission of data in great volumes. GII is not merely technical, it is also an attempt to establish global rules to facilitate free trade in information. This will involve the establishment of a legal framework covering the whole field of broadcasting, internet, telecommunications and intellectual property.

Global Information Economy and the Third World

What scope does the third world have in the burgeoning global information economy? The ownership of intellectual property and the control of communication networks through which intellectual property can circulate are determinants of economic capacity in the business of information. In both respects, the position of the third world countries is quite weak.

The third world currently owns only 1 percent of world patents. The intellectual property that the third world does own, in the form of traditional knowledge in medicine and agriculture, is being appropriated by multinational corporations. We all are aware o attempts to patent neem, basmati rice and turmeric. If we look a communication networks, most third world countries had stat monopolies. With the liberalisation of services and thei incorporation in the World Trade Organisation agreements, thes monopolies are slowly breaking down. Trends in the televisio sector indicate that the markets liberalised will come to be dominate by multinational companies.

The computer software industry is currently regarded as the vehicl of India's economic power. This industry is dominated by the U.S with a two-thirds share of the global market. Much softwa development work by major companies has been shifted to Ind and the rest of Asia. Many Indian computer programmers work the U.S. The export of software does not contribute substantial to India's total exports. But the remittances of programmers worki in the U.S. has contributed substantially to the reduction of Indi balance of payments deficit. Most programmers want to work the U.S. if the opportunity arises. These developments, therefo do not lead to the hope that Indian companies and expertise wou build an information infrastructure or spawn an era of creativ independently of the dominant global players.

All this does not mean that the third world is not wired to t global economy at all. For one, new kinds of information-wo

'factories' have emerged in the third world as part of the global information economy. One example is the call centre work, where a factory of telephone operators answer telephone calls for paging services or the like in the developed countries. This work can be performed at the other end of the world with a marginal increase in costs. Medical transcription is a kind of data entry work where workers in the third world type out the records of conversation between doctors and patients in the U.S. This has become necessary because of increasing consumer litigation against doctors for negligence or wrong medical advice.

These new categories of work are usually performed by temporary or part-time contract workers. Women constitute a majority of these workers. Since this work involves the operation of information technology, it is easy to build highly-automated monitoring systems through which a small number of supervisors can monitor the work of entire 'information factories'.

If the trade in information has to expand, the third world can not be ignored whether for the army of information workers or for a large number of potential consumers. So, the 'global information infrastructure' requires the development of the third world's electronic communication infrastructure. Organisations like the World Bank are also shifting their development priorities to focus on the creation of information infrastructure and workforce.

THE THIRD WORLD: FROM SURPLUS TO DEBT

The foreign debt of sovereign nations is about the foreign exchange, which a country borrows for buying things from other countries. These things may be things of genuine need, things of luxury consumption, or tools, technologies, and expertise to manufacture other goods in the home country. A country will earn foreign exchange by exporting goods or by lending foreign exchange to others. But if it spends more than it sells it will have to borrow. Some of these things that have to be paid for in foreign exchange are bought directly by the government, some are bought under

government guarantee, and some are directly bought by sections of population of the country. But all of these contribute to the foreign debt, which shows up on the debit side of balance of payments. The nation-state as a whole becomes the debtor. A country can overcome this deficit by means of the reserve of foreign exchange it may hold. Once the reserves are exhausted or are insufficient, it has to rely on borrowings. When a country has to start borrowing to service its earlier debts, the debt has reached a crisis point.

The government's economic policies, working within international constraints, determine the composition and volume of this debt. Who or what has power over the government determines what those policies are. In some countries, the consumption of luxury goods will be the largest factor in foreign debt. This is likely to be the case if the country is governed by a corrupt and rich ruling class with a craving for foreign goods. A country may be forced into debt, if the export of commodities on which its foreign exchange earnings depend is hampered either by natural calamities, or by unequal terms of trade. A lot of third world debt was incurred in importing what was considered necessary for industrialisation – tools, technology, expertise.

It is most surprising for our generation to learn that at the end of second world war, many third world countries actually had huge reserves of foreign exchange. This had come about because of the war itself. The main combatants, who were in most cases highly developed capitalist countries, consumed more than they produced during the war. They imported a lot of materials from their colonies and they had very little surplus to export at the time. In many cases, former colonial powers imposed restrictions on the use of these reserves, usually as part of the price of political independence. In any case, most of these reserves were irresponsibly spent on imports.

India had reserves amounting to 1,200 million pound sterling (th British currency). It was in the form of sterling securities, i.e Britain had the legal obligation to pay for these. India opted fo

rapid planned industrialisation through new public sector industries in a market relatively sheltered from imports. Private sector industry was allowed to operate within some controls. A policy of self-reliance within national economy was envisaged. But the requirements of 'rapid industrialisation' very soon exhausted the reserves.

It should be noted here that the strategy adopted and operated at that time satisfied large sections of the middle class, business class, bureaucracy, and the political class. They all wanted to put India on the industrial map of the world. They had internalised the image of India as underdeveloped and backward (if not a cowardly) country. Moreover, the middle class had education and jobs, business class had the luxury of no competition from foreign goods and the bureaucracy had the controls. In any case, the foreign reserves required for this strategy and the complacency of the elites soon had India asking around for foreign aid. The idea was to raise investments without curtailing consumption. Instead of raising more money from taxing the rich, it allowed a large import surplus and sought aid from abroad. However, it is doubtful whether anything short of a radically different development strategy would have led anywhere else.

IMF and Stabilisation Programmes

The developed countries, the IMF and World Bank were only too willing to aid. Aid schemes on the whole are known to operate as export subsidies for the aid-giver countries, since aid is usually tied up with requirement of imports from those countries. But slowly, the U.S., in conjunction with IMF and World Bank, developed a system to have a leverage over the economic policies of the host countries in return for aid and loans. These, in the course of time, became Stabilisation Plans, and then developed into the Structural Adjustment Programmes (SAPs). It is another momentous fact that SAP's have not helped any country to get out of the debt trap. Perhaps because they are not designed for that. One of the main concerns of the IMF is to maintain the flow of trade and

investments in the international economy. Debts are dangerous only when they threaten this flow and when they threaten the lending institutions themselves. There is nothing mysterious about it. Every mahajan who thrives on lending knows this. Encourage borrowing and see to it that the borrower does not go under. If you have goods to sell to the borrowers from their borrowed money even better.

The IMF's stabilisation programmes consist of several interrelated policy changes which governments are required to make. First on the agenda is to abolish or 'liberalise' control on foreign exchange dealings and imports. This is required to maintain the flow of capital and trade. Now since the controls on foreign exchange have been made to conserve foreign exchange however efficiently, their removal normally leads to worsening of the deficit.

Once the controls are gone, the next step is devaluation. The value of the currency has to be brought to realistic levels with respect to other currencies. A debt crisis develops only in a situation where the demand or need for foreign exchange is greater than its supply. Governments try to control this demand by restricting imports and imposing other restrictions on foreign exchange. Once the control are gone, the scarcity of foreign exchange continues, so the valu of local currency goes down even within the country. Bringing th official exchange rate of the currency closer to the market rate results in a devaluation of the local currency. As we have see earlier, devaluation may indirectly impede imports by making the more expensive. This effect of devaluation is offset by the ne credit flowing to the country, which finances and encourages furth imports.

It is not enough to devalue the currency; it has to be stabilised, that you do not have to go on devaluing it. If the currency devalued repeatedly, foreign investors have a problem. To stabili the currency, anti-inflationary monetary and fiscal policies a recommended. These consist of:

- Control of Bank Credit by increasing interest rates and having higher reserve requirements;
- Control of government deficit: curbs of expenditure increase in taxes and prices of government services, abolition of subsidies;
- Control of wage rises;
- Greater hospitality to foreign investment.

These as we can see are the cornerstones of monetarist policy. Now we may wonder whether it isn't a good thing to have low inflation, i.e., a slow increase in prices. There are two ways we can look at inflation. One is to see it in concrete terms of our incomes and the prices that we need to pay for things and services we use. Seen this way, things get worse with the above anti-inflationary policies. Wages are held down, the prices of government services go up. Travel, housing, medical treatment, power becomes more expensive, whereas real income goes down and more taxes have to be paid. For the Monetarist, this is not what matters. What matters is the overall balance between money supply and the volume of goods and services in the economy, so that the value of money is not depreciating, now also tied to foreign exchange.

Avoiding this inflation is good for foreign investors. They can make reasonable estimates about future costs and incomes. Unstable and unpredictable exchange rates make it impossible to estimate returns on capital especially in terms of foreign exchange. Thus we have already come to the last component of the stabilisation policy package, which is greater hospitality to foreign investment. The IMF encouraged foreign investment as a means of solving balance of payment problems of third world countries, ignoring the fact that future profit repatriation from such investments will further worsen the debt situation.

One may ask: why did these countries accept these conditions? That was because in a moment of payments crisis, the IMF provided a loan to cover the deficit which helped postpone the crisis. There were internal as well as external constraints in following radically

different policies. Repudiating the debt could have the consequence of trade and other sanctions. All countries are dependent on at least some goods that have to be imported. Even if that is not so, the alternative policies may require unpopular decisions and the opposition party/ies might come to power in the next elections.

As a matter of fact, even stabilisation programmes under the IMFs' advice were extremely unpopular. Opposition parties in several countries came to power on the anti-IMF platform. Once they came to power they continued to follow or were forced to follow the same set of policies. In some countries, such policies could be implemented only after the crisis had led to a military coup. In Indonesia, Brazil, Cambodia and Argentina, the military seized power from elected governments. Within a few weeks of each of these coups, IMF missions arrived to advise these government on economic policies. In some countries, as we have seen, coups had to be engineered since the governments there were bent on following policies 'harmful to the flow of trade and investments'.

It should be kept in mind that it is as a package in given circumstances that stabilisation programmes serve the purposes of the IMF. The different elements of these policies can be used for different purposes under different circumstances.

Debt Bondage

Before 1970, the largest proportion of debt which the third world owed was to the developed country governments or to international agencies like the IMF and the World Bank. Private banks had not been too keen to lend because of the experience of 1930s when these debts had been repudiated. But international agencies and the U.S. kept encouraging such commercial lending to third world, with guarantees and other means. Such lending started in the 1960s, but it really picked up in the early 70s. At this time, as we have seen there was a great amount of money supply in the private financia system. Some of the third world countries were doing fairly well on exports because of the rising export prices. A wave of commercia

lending began which precipitated a serious debt crisis and we are still living under all those debts of this as well as earlier periods.

The IMF solution has always been to lend more to overcome earlier debt and open up the country more and more to external investment and imports. The IMF's conditionalities on aid in the form of Structural Adjustment Programmes further deepened its reach into national economic policies. Apart from the stabilisation measures, it also demands privatisation of public institutions and services, bringing prices closer to world market levels, and the changing of a country's industrial priorities by focussing on increasing imports and increasing exports.

The growth of export earnings is supposed to solve the problem though it has never proved to be sufficient even for a substantial relief in the debt problem. Those countries which succeeded in following an export-intensive strategy for economic growth have done so by maintaining stringent controls on exchange and imports. These were Taiwan and South Korea, the so-called Newly Industrialising Countries (NICs). Later, Thailand and Malaysia have tried to follow similar policies. But when liberalisation was imposed in these same countries, they underwent a crisis that shook the whole world.

The flight of capital from the indebted countries in the form of illegal deposits by its citizens in offshore tax heavens has worsened the debt situation considerably. Another development completely out of third world control deepened the debt bondage. This was the monetarist turn in developed countries' policies, which meant a higher interest rate on credits. Since a large proportion of third world debt by the early eighties was from commercial banks, for which the interest is determined on the basis of current market rates, the interest payments increased.

We have mentioned the capital flight effected by citizens of third world countries, which is made easier by the absence of capital controls, i.e., control on foreign exchange. We can also understand

capital flight as the running away of capital from a country in a more general sense. A lot of foreign investment is in the form of Portfolio capital in contrast to Foreign Direct Investment. This portfolio capital, which is invested in stocks, securities, bonds, currencies can move out quickly. That is why it is also called 'hot money'. So if a country wants to follow a policy not to the liking of this finance capital, it can fly out, upsetting all calculations of balance of payments. This acts as threat against governments following any policies which are going to cut into the profitability of investments. Of course, the flight of capital is possible only because foreign exchange movement has already been liberalised. As a matter of fact, the foreign exchange which third world citizens have siphoned out of the country will be a part of this hot money now earning profits back here. Many of the dictatorships which the west helped prop up in third world countries were notoriously corrupt and put all their money in foreign banks. Of course, dictators are not the only ones to follow this path. This money may sometime be enough to substantially reduce the country's debts.

There are four main areas where the borrowed money was spent by third world governments:

- Much of the money was used to finance imports and to pay installments on earlier debts along with interests;
- Many of the loans were tied to specific mega-projects in mining, power etc; a part of this loan inevitably went to pay for tools and expertise;
- A portion of the money was spent on armaments;
- A part of money was siphoned out by corrupt officials of the borrowing governments, which landed up in tax heavens as capital flight.

The paying back of these debts and the interests on them has led to following of policies that impoverish people and lead to distorted development. Unemployment and low wages because of the destruction of local industry, migration of small farmers to overcrowded cities because of change in farming policies, or attempts

to turn forest areas into cultivated ones, increase in the government taxes and prices of government services are some of the effects.

Since the early eighties, there has been a net flow of foreign exchange from the indebted countries back to the lenders. Original debts have been paid many times over. The situation is quite similar to that of bonded labour where generations go on labouring to pay for the debt taken by their ancestors. When a business enterprise or an individual is in debt that they are unable to repay, they can throw in the towel and declare themselves bankrupt. But when a government is in debt, it can go on squeezing the people of the country forever to pay those debts, until they rebel. However, this has not always been the case. When the U.S. took over Cuba almost a hundred years ago, it cancelled Cuba's debt to Spain. The U.S. argued that this burden was imposed upon the people of Cuba without their consent and by force of arms. Such debts were called 'odious debts'. There were other such instances too.

Various solutions have been proposed and various plans implemented to manage the crises. But they are precisely only that, management of crises so that the state of affairs may continue without endangering the banking institutions and their profits, on the one hand, and not closing off of the indebted countries' markets to international imports on the other. Expressions of concern by various developed world leaders and bank presidents is enough to numb and sicken one, once you have studied the deceptions, doublespeak, cold pursuit of profit and advantage in the history of third world debt. It is a history which enables us to understand the nature of our world system. It is also a history of folly, corruption and blindness on the part of third world governments and elites. And it is the history of the spell that the idea of catching-up development has had on third world. It also happens to be one of the few areas of international economics on which there are excellent writings, which explain things in detail for non-experts. We list some of these in our Guide to Sources at the end of this book. In any case, third world debt and accompanying developments suited the corporate agenda very nicely. It prepared the conditions

for capital mobility in the third world, while also giving a weapon to 'improve' third world policies in the right direction.

THE BREAK-UP OF THE SOVIET UNION AND THE OVERTHROW OF COMMUNISM

The break-up of the Soviet Union and the subsequent overthrow of communist regimes in East European countries opened out a wide area of expansion for western business and military interests. The availability of this wide area reduced the necessity of conflict among developed countries themselves and set the global agenda on its course. The break-up of the Communist Bloc also removed a source of political support for 'deviant' third world nations. The story of the so-called economic reforms of the former communist countries is another story of devastation and disintegration, which we are not able to recount in this booklet. We will just quote some figures from a 'Times of India' article (25th August 1997) which was reporting the results of a study.

All the figures are about Russia:

- In 1960, life expectancy was on a par with developed countries. Today Russian men are 135th and women 100th (in the world), similar to poor African states.
- Nearly half of 16 year olds in Russia today will die before pensionable age.
- Since 1991, blood-related illnesses have increased by 160% and endocrine and metabolic disorders by 120% among children aged 15-17. Only 10% school-leavers can be described as healthy.
- Infections connected with poor living conditions have jumped. TB rose 70% in 1990-95 period. Syphilis increased by a factor of 49 among teenagers, and by a factor of 33 among adults.
- 50% of people drink water that is below all public health norms.
- Alcohol, drugs, smoking and heavy emotional stress, all rooted in economic difficulties, combine to reduce the life-span of 70% of people.

- The Death rate is rapidly rising. A new term has been coined to describe the death rate – Super-mortality. It means that a vast majority of the deceased are people in their prime.

A high price for capitalist democracy it is. So is the choice really between "totalitarian communism" and "actually existing capitalism"? In any case, that is what the free-marketeers would have us believe. Those who were part of the old system in Russia, especially the top bosses, are doing quite well in the new dispensation. Who was Yeltsin, the darling of the west? He was an old communist party boss.

THE NEW WORLD ORDER

The United Nations had been created after the Second World War to maintain peace and promote cooperation among the nations of the world. It had a two-tier structure, similar to the multi-tiered apartheid government in the South Africa of yore. The Security Council has fifteen members, five of whom are permanent. These are the biggest military powers of the world and each one of them has the right to veto any action that the UN may take. The second tier is the General Assembly with all the nations as members, but with little power to implement what even a majority proclaims. The big five can ignore General Assembly resolutions as they kept doing in the case of South Africa, Israel and many others. Then, there are the specialised UN agencies like UNESCO, UNICEF, UNCTAD, UNDP. Their objective was to promote development in the third world and they were not under the direct control of the Security Council. Some of these agencies occasionally came into conflict with the U.S. and other major powers.

In matters of war, peace and military interventions, the Security Council takes the major decisions. After the collapse of Soviet Union in 1989, it has become easier for the U.S. to impose its will here. Still a consensus is required at least among the five countries with vetoing power, which are U.S., Britain, France, China and Russia. Economic considerations play a significant role in extracting this consensus from these as well as other countries. The Gulf War

against Iraq, following Iraq's conquest of Kuwait in 1991, was the first test of the new balance of power in the world. The U.S. asserted its military superiority and proclaimed a New World Order under its leadership. Under the protection of this world order, globalisation was to proceed and play out its role. In more recent times, for example in the case of military intervention in Serbia and Afghanistan, the need for a Security Council consensus was also not felt. NATO did the job. NATO, which came into existence apparently to defend the allies against the USSR, continues to flourish, against any challenge to the New World Order, real or imagined.

VI. The Globalised World

VI. The Globalised World

THE MARKET AND THE STATE

There are two types of questions involved here. One is the sharing and demarcation of roles of state and market in the modern economy. As we hope to have shown, the market and the state both play important roles in modern economies. The emphasis may change and the relative areas of involvement may change according to the situation. In developed capitalist economies, the role of the state has not decreased, though it may have changed. Chomsky informs us that the state continues to grow relative to the GNP in those countries. Most of the new technologies have grown in state-sponsored laboratories and institutions. Once they are developed, they are handed over to the private sector. The private sector only makes them marketable in various forms. Internet, of course, is a prime example. The state also controls the apparatus of law and order like the police, which is crucial especially in times of economic stress. Private and public sector symbiosis in the armament sector is quite well-known, where the State subsidises the production and export of armaments. What is lesser known is the prison-industrial complex in the U.S.

More than 1.8 million people in the U.S. are behind bars, giving it the unique distinction of having the highest percentage of prison population than any other country in history. Violence is involved in only 14% of the crimes and injuries only in 3%. Most of the people in prisons commit non-violent crime mostly out of economic need. More than 70% are blacks. This growth in prisoners has

accompanied the rise of globalisation. When industries move out or close down or downsize, blacks are the worst affected, since the axe falls on them first. It is a general pattern anywhere that in job retrenchments, socially oppressed sections like women and others are the most affected. Business is a great beneficiary of growth in prisons. Building and maintenance of prisons, support services such as food, medical treatment, and transportation, specialty items like fences, drug detectors, electronic surveillance systems, all these mean a lot of business. There are private 'corrections' companies, including multinational ones, which manage prisons. Then, there is the immensely cheap prison-labour. "An American worker who once upon a time made $8 per hour, loses his job when the company relocates to Thailand where workers are paid only $2 per day. Unemployed and alienated from a society indifferent to his needs, he becomes involved in the drug economy or some other outlawed means of survival. He is arrested, put to work in prison. His new salary: 22 cents/hour… For private business, prison labour is like a pot of gold. No strikes. No compensation. Nothing". And just as the 'military industrial complex' grew on the strength of anti-communism supported ably by the media, the prison industrial complex has grown along with a media howling about the growth of crime, highlighting only violent sensational crimes. The Prison industrial complex fulfils the two-fold purpose of profit and social control.

Shankar Guha Niyogi wrote some years ago of the state and private sector connection in Chhatishgarh, in India's mixed economy. Around the great Bhilai Steel Factory grew a large number of private ancillary industries. They had organic links with the public sector factory in that they were involved not only in supplying material but also in various corrupt deals. The labour in the private sector was kept unorganised with the help of the unemployed who found jobs as the industrialists' henchmen. Ultimately, Niyogi wa killed by some of them, at their master's behest, because he wa trying to organise the workers. Niyogi called them brothers – th labourers and the criminals employed by industrialists – who hav been forced into this situation of conflict. Considerable proportion of both are adivasis.

The state and the private sector both are social institutions, which originated and developed in the course of history. They are part of society and function only in this social context. The capitalist economy subjects the society to the logic of market forces, i.e., to the logic of private profit of those who control the means of survival and production with the help of the state. But the capitalist is able to do this only by feeding on the existing social situation. A state-controlled economy can also subject society to its dictates. Ultimately, it is one part of the society subjecting the rest and attempting to organise the whole society in a way that perpetuates the subjection.

GLOBALISATION AND NATIONS

There is a talk of transcending of nation-states in the age of globalisation. It is true that state has pulled out of many economic activities and from social services leaving these to be run on the basis of the profit motive. It is also true that nation-states have less freedom to control and direct economic developments. But it is a fact that nation-states play an important role in globalisation.

First of all, they control population movements. The nation-state system keeps the population largely confined within nations. Any international movement is closely regulated by the system of passports, visas, immigration laws. Individual states also perform the function of governing the territory and populations of that country. These governments are accountable to the people even for decisions taken by the global elite. So they bear the brunt of accountability and when that is not possible the responsibility of repressing the population is largely theirs. The growth of police and military power and sophistication has only accelerated in the age of globalisation, especially in third world countries. Imagine what will happen if all the borders are opened and people are free to move anywhere. The global economy and society in its current form would not survive.

Modern states came into being in most of the third world as a result of colonial conquests by European countries. The state apparatus of law, administration and police created by colonial powers in these countries was inherited by organisations representing the movements for independence from colonial rule. They engaged in the task of nation-building without disturbing these inherited institutions. The colonial character of the state, reflected in the attitude of officials who are responsible to superiors and contemptible to the people, continued and throttled moves toward democratisation. The sole function of democracy came to be electing legislators into power.

The world-system very much resembles the apartheid system instituted by South Africa's racist government in 1948, in order to avoid the change to a non-racial government. They argued that there are so many different tribes among the blacks, so each tribe should be given a homeland to live in and govern themselves. The movement of people from these homelands to the white-ruled mainland was strictly regulated. People had very little choice other than move into the mainland for work since homelands had very little resources and industry, as planned, of course. They led an illegal existence there, even though their labour was needed. It helped the state control them better. Another problem was that by the time these homelands came into existence, each homeland had people belonging to different tribes and there was tension between them since each homeland belonged in principle to only one tribe. White rulers were only too willing to fan these divisions. Black liberation movements rejected this arrangement of homelands. Some tribal chiefs accepted it. Ultimately, the scheme of homelands failed to be accepted by the majority of blacks.

The situation of many countries in the world today is not very different from the homelands, whether in terms of the conflicts raging there or in terms of the dependent relationship of these societies to the developed parts of the world. In fact, we are witnessing a tendency of increasing fortifications around developed pockets everywhere in the world. Demands are being raised in

certain cities like Mumbai to raise barriers against immigration from the rural areas. In future, one may have certain areas of cities barred against entry from the more impoverished areas. The world seems to be moving in that direction.

So all nation-states are not equal. Some are no better than the South African homelands. In the global social system, there are different classes of nations. Put simply, there are rich nations and poor nations. But the world society is more complicated than that. Earlier, we had the first world consisting of the U.S., West Europe and some other capitalist developed nations. The Second world was the group of communist nations. And the third world was the rest. Then, it changed to North and South. North was all the developed nations and South all the 'developing nations'.

The current social order is reflected in some of the meetings which take place where major economic issues are discussed. G-8 is one such forum. The Economic Forum held every year at Davos offers a truer representation of where the power lies in today's world. Here, the top corporate leaders and the government heads meet together and discuss new thrusts to the global economy or the crises inflicting the world.

More recently, a group of third world nations have been identified as being 'systemically' important for the world economy. What it means is that any serious problems in these economies may seriously affect the world economy. So a group of such countries have been included in the so-called G-20. These countries are also known as 'Emerging Markets'. This is also an attempt to separate the rlatively richer third world nations from the rubble in order to avoid the possibility of third world solidarity.

In any case, the global business, like any business, can not exist in a vacuum, or in a condition of anarchy. It is part of the global society and it operates in the rest of society. The society has to be somewhat predictable, controlled, law-abiding. Moreover, globalisation and capital mobility would not have worked at all if

there weren't these large differences in the social conditions of different countries. If the wages and resources are equal everywhere, it does not help to shift production. So the success of globalisation is built on worldwide inequality. The natural and human resources have to be made to work for the benefit of the global economy.

In fact, 'national competitiveness' is an essential slogan of globalisation. The idea is that various nations are competing for economic advantage, and the best way to do is by liberalising and getting integrated into the world economy. It contradics the talk of a borderless economy. If all the business is being done by the few hundred large corporations producing from many countries at once, what is the meaning of trade advantage of countries? But the slogan is necessary for the appeal of globalisation to connect to nationalism.

THE 'INFORMATION REVOLUTION'

We have discussed earlier the rise of information-work, information technology and information business in the last three decades or so. We also mentioned the rise of information as a tool of language and imagination to understand and change the world. These developments have brought us to a stage where any consideration of progressive social or institutional change is not complete without determining how the society or the institution should be reoriented so as to ensure adequate information flows.

The rise of information as the dominant form of socially meaningfu knowledge has touched almost all domains of modern life. Variou social institutions are being restructured for better informatio management. Traditional institutions dealing with the creation an transmission of knowledge – libraries, educational establishment research institutes, the different media – are all being reshaped fo better information flows. Conscious information management ha become an integral part of social movements and organisations to These developments follow advances in information technologie and a major expansion of the business of information.

There is no vision of a well-informed society behind all these feverish changes. They have not arisen out of the need to be informed about things affecting the welfare of the community, society, or humanity. These are merely attempts to cope with the new infrastructure of business and the state.

These technological, economic, cultural and institutional changes associated with information are seen as bringing about an 'Information Revolution' in society. Apart from information about markets and job opportunities, bank accounts and ticket reservations, what is this information revolution offering to the majority of people in terms of knowing, understanding and changing their lives and their societies? What does it offer us to cope with the social and environmental catastrophies staring us in the face?

The vision of a second Enlightenment is being offered, this time in terms of information, instead of science. The jump from the technological and business revolutions to an Enlightenment where everybody is information-rich seems to imply that the more information one has the better off one is. Can the adequacy of information be measured in terms of quantity? Organisations like the World Bank work to bridge the information-divide between the first and the third worlds and build knowledge-societies in the third world. To achieve this, they are trying to build ICT infrastructure and computer literacy in the third world.

Is the problem of knowledge (its lack or distortion) in our world mainly a question of a lack of information technology? When we are working to build knowledge-societies, are we also thinking of knowledgable societies? The models of 'knowledge-society' are the developed countries where indeed this term denotes the changes accompanying the development and spread of ICTs. Two kinds of enquiries become essential here. Firstly, do developed countries represent knowledgeable and well-informed societies? They may be better functioning societies , but aren't they also ignorant societies in many ways? So much of the environmental destruction and instruments of violence have originated in these societies. Even in

basic scientific literacy, they do not fare well, as recent studies have shown. And what about relationships, schooling, crime?

The second enquiry has to be about the repeated attempts by developing countries and their failures to emulate and achieve what developed countries represent. What are the reasons for these failures? Does the reason lie in the world-order characterised by unequal relationships enforced by the power of money and arms? Or in the inherent inability of the people or governments of the developing world? The majority of people in developing countries will believe the first and the majority in the developed ones will believe in the latter reason. Which is closer to truth? How can we have a more informed answer to this question and other such questions? Is it only a question of using technology?

Just because great quantities of information are travelling across the world does not mean we are moving towards an informed global society. It requires work from many people - information work and knowledge work - to put it together in a way which answers the questions and needs of the people. It requires cooperation, organisation and institutions for many people to work together. The nature of such organisations and institutions, their visions, values and interests, determine how information is organised and disseminated.

Information technology resides within different information systems which are ways of selecting, organising and retrieving information. Information can be organised to conceal or to reveal. A corporation or a governmental department may deliberately organise information in different compartments in such a way that only the person on top can make sense of it in what may be vital ways for the employees and the public. The organisation of information in an academic library unwittingly conceals it from the non-academic user. Academic institutions organise knowledge according to disciplines of study and research. If you want information on women, it will be scattered over sociology, psychology, history. Information systems reside within institutions which are ways of organising people and their

work in different ways for various purposes. A corporate information centre may have excellent information systems but would not allow outside users. An academic library may ask for academic credentials. Likewise, media and educational institutions have their own way of organising information and pursuing their institutional objectives.

Overall, there is a social organisation of knowledge and circulation of information. One kind of information circulates among scientists, another among policy makers, and a whole lot of different kinds of information among the people, mediated through a myriad of institutions and technologies. The Narmada Bachao Andolan had to break the social barrier between technical and non-technical information to be able to create an understanding of the consequences of the Sardar Sarovar Dam. So, it requires much more than information technology, however advanced, to bring about an 'information revolution' in society or to build informed and knowledgeable societies.

The idea of information has come to pervade our descriptions and understandings of the world and its knowledge. So much so that we forget that this idea is rooted in a form of life and limited by it. When human beings transcend the form of life shaped primarily by the institutions of state, market and S&T, as they exist now, information as a meaningful concept will perhaps remain, but its scope will become limited and its meaning transformed.

DEVELOPMENT IN THE AGE OF GLOBALISATION

There has been a shift away of development and other functions from the UN to the World Bank and IMF. The World Bank had been established to help Europe reconstruct after the war. It is the largest source of development funds and U.S. government is its largest shareholder. It has two components. The International Bank for Reconstruction and Development (IBRD) is owned by the governments of more than 140 states, which subscribe the capital in the form of guarantees. Such guarantees are used as security for

the World Bank borrowing from the financial markets. The money borrowed is used to lend to developing countries at a profit.

The International Development Association (IDA), the other constituent of the World Bank gets its funds directly from 35 or so member governments and it gives interest-free or low-interest loans to the poorest countries. Overall, the World Bank makes a profit; by 1986, its incomes from loans to poor countries exceeded its disbursements. It has begun to project itself as a knowledge-bank in more recent times, i.e., as a repository and creator of development knowledge. It employs a vast number of researchers and produces a vast number of documents. The World Development Report published yearly is the best known of these.

The shift from the UN to the World Bank signifies an important development because the World Bank and the IMF are institutions where the power of nations is measured by monetary contribution. So the richer nations have overwhelming power to control these institutions. The World Bank and the IMF also have a culture of secrecy and authoritarian control. Even though the Security Council is dominated by military powers, the General Assembly and specialised agencies had independent voices if not independent powers. The current trend is even for the UN-specialised agencies to work in partnership with the World Bank in all fields. So UNAIDS is actually in partnership with the WHO, the World Bank and some other organisations.

There is also a trend to work in partnership with independent development and funding agencies of the developed world which represent diverse currents of thought. These agencies get a small part of the home governments' budget marked for development aid and they raise the rest from the public. In many instances, they are associated with oppositional currents in the politics of their home countries. Today, the situation is such that if you look at any major international development initiatives whether in education health or information, you will find the World Bank as one of the sponsors and constituents.

The attempt is to include diverse voices in order to evolve a unified development strategy for the underdeveloped. Once that happens, those who do not fall in line will be excluded. We also see a uniformity of language in development discourses. One the one hand, the goals of earlier social movements like ecology, women or indigenous people have been incorporated as reflected in the widespread use of such terms as sustainable development, women's development. On the other, we find the language and attitudes of corporate restructuring pervading at the operational level – the language of 'lean' organisations, 'market study', 'core competencies', 'outsourcing', 'competitive salaries'.

Words like 'sustainable development', 'civil society', 'gender perspective' slowly begin to lose their meaning when they are mechanically implemented as part of bureaucratic procedures. Certain initiatives which emerge from the grassroots are picked up and processed by the development research establishment to make them exemplary projects and their insights translated into the 'best practices'. These are then sought to be implemented in different regions of the world. So, some truly outstanding initiatives like that of SEWA emerge as Micro-Credit, in the process losing their central significance.

Information structures that are created facilitate this flow of information from the grassroots to the top and back to the grassroots in a packaged form. There is no attempt to evolve mechanisms of information-sharing among the different initiatives. As a result of these developments, organisations and initiatives dependent upon funds from these agencies talk the same standardised language in reporting their work or in making proposals. It creates a kind of split from the motivations, language, perceptions in which those initiatives were rooted and sometimes distort them altogether.

A concept like 'civil society' which emerged to represent and understand the increasing role of voluntary organisations, NGOs, citizen's forums in society has come to mean effectively the

development sector, as contrasted to the private and governmental sectors. So, the private sector looks after the economy on free market principles, the government looks after governance on principles of transparency and efficiency, and civil society takes care of development. To which sector does the World Bank belong? It is apparently a super institution coordinating a partnership between civil society, the private sector and the government to facilitate development.

In the years of the emergence of globalisation, the World Bank along with other institutions promoted the stark utopia of free-market led development. As the effects of these policies began to be visible in increasing poverty and regular crises, they have moderated free-market rhetoric and recognise the need for non-market development initiatives. The role of the state in providing 'good governance' and promoting development is once again emphasised, after any alternative vision of economic policies has been removed from the public light. Development is supposed to pick up the pieces that are left behind in the triumphant march of globalisation and help people adjust to the realities of the world economy.

Jeremy Seabrook writes in his article 'Children of the Market' about the effects of the global market on children, given the widening inequalities and destitution. They are forced into child prostitution, child labour and semi-starvation. *In the affluent societies, children are tormented by unappeased market-fed hungers and in the poor societies they are wasted by insufficiencies.* In such a situation, he writes, *it is perverse to pass international resolutions, to express humanitarian sentiments, to affix pious slogans to banners about the sanctity of childhood, while at the same time delivering the children of the world to the market forces which will undermine, destroy and render impossible those noble ideals.*

This is not an argument against helping people devastated by the changes occurring in the world and enabling them to survive the globalised economy. Nor is it an argument against working towards noble ideals. But is it not possible to do so without getting integrated in the dominant structures of globalisation? The basic impulse of

globalisation is the integration of hitherto outlying areas of autonomy – in societies, economies, cultures, psyches, bodies – into a crisis-ridden, bankrupt, dehumanised and dominant core, in order to revitalise itself. What it succeeds in doing is to devitalise the whole world.

Appendices

Some Pointers to Writings on Globalisation

Some Pointers to Writings on Globalisation

GLIMPSES OF RECENT VIEWS AND DEBATES

Power in Global Arena

(by **Noam Chomsky** in *New Left Review*, no. 230, July-August 1998, pages 3-27)

Chomsky emphasises the continuity of U.S. policy with regard to other struggling countries of the third world. The U.S. controls and influences their economic policies so that it works for U.S. corporate interest rather than for the interest of the people of these countries, thus subverting democratic mores in the economic arena. Declassified documents in U.S. show this without ambiguity.

He describes the current capitalist economies as "actually existing market economies" to expose the gap between what the votaries of capitalist economies say and how these really function, for example, concerning the role of the state. The role of the state is necessary and important in these countries and he calls the system by the name "Industrial Feudalism". In developed countries, the state continues to grow relative to GNP. The State performs the task of *socialising risk and cost, and privatising power and profit.* What is meant here is that while all the power and profit from economic arrangements is going to the private sector, any risk or cost involved is borne by the whole society. For example, banks can make risky loans at high profits, but when they collapse governments come up to save them with the help of public funds.

After World War II, the U.S. assumed, out of self-interest, responsibility for the welfare of the world capitalist-system (as reconstructed into corporate capitalism). Chomsky here is referring to the change from the earlier era of capitalism when individual capitalists owned factories to the contemporary times of huge corporations run by professional managers and jointly owned by shareholders. Even the shareholders' contributions are not the main source of capital for today's corporations. Modern corporations run on credit which they get from banks or they raise money by selling corporate bonds to the public.

There are three components to the U.S. strategy:

- Domestic
- Reconstructing the Industrial societies
- Policies regarding the South – each region of the South was assigned what was called its "function". Latin America, Africa and Asia each had a function, in the U.S. scheme of things.

What is behind the standard picture of "American Economic Success":

- A Minority enjoying success.
- State subsidy for industrial development.
- Secrecy in policy making – NAFTA, MAI;
- Third World Debt.
- Corporations as States

Chomsky ends by saying that *(all these) are not the operations of any mysterious economic laws ; they are human decisions subject to challenge, revision and reversal. They are also decisions made within institutions, state and private. These have to face the test of legitimacy, as always; and if they do not meet that test they can be replaced by others that are more free and more just, exactly as has happened throughout history.*

Global Village or Global Pillage

(by **Jeremy Brecher and Tim Costello**)

The authors offer a perspective on globalisation based on first world experience and recommend a transnational resistance strategy

to promote globalisation-from-below as opposed to the corporate driven globalisation of capital.

Globalisation is leading countries to compete with each other in offering low labour, environmental and social costs to corporations. This lowers the general conditions of living everywhere for the majority of people. They call it the "race to the bottom". It leads to:

- Unemployment, falling real-incomes, layoffs,
- Deteriorating working conditions, cutbacks in public services, destroying the environment.

Such competition exists among developed countries as well as developing countries. Here are some examples that Brecher and Costello offer:

- *BMW [a German automobile company] announces that it plans to build an auto factory in the United States. Several states bid for the plant. Ultimately, South Carolina, notorious for low wages, lax enforcement of environmental laws, and suppression of unions, offers BMW a $300 million subsidy for land, road, water, sewer, office, housing, airport, training, and other costs. The company's employment costs are $12-16 per hour, compared to $25 per hour in Germany. Comments Financial World magazine, "The message will likely not be lost on German unions, should they threaten to strike BMW."*

- The British Department of Trade and Industry sets up a special office called "Invest in Britain". It advertises in German business newspapers that Britain offers a top corporate tax rate of 33% compared to 50% in Germany and labor costs 78% below those in Germany. One advertisement reports that a thousand firms have moved to Britain to take advantage of low wages and social contributions.

- London International Group P.L.C., manufacturer of surgical gloves and condoms, closes three British plants and eliminates

1000 jobs. "London International is seeking to shift production from Britain to lower-cost production plants in Asia."

- In South Korea and Taiwan, economic growth, democratic reforms, and unionization lead to rising wages. So Nike closes down 20 footwear factories there and contracts to have Nikes made in China, Thailand, and Indonesia. In Indonesia, the girls and young women workers start at $1.35 per day. In 1992, the entire annual payroll for the Indonesian factories that make Nikes was less than Michael Jordan's [a U.S. Basketball star player who appears in Nike advertisements] reported $20 million fee for promoting them. The Nikes cost $5.60 a pair to produce in Indonesia; they sell in the United States for $45 to $80 a pair."

Do the states in India compete with each other like this to attract foreign investors? We keep hearing about the chief minister of this or that state visiting the U.S. for this purpose. Moreover, Brecher and Costello point out, the threat to move elsewhere can be used by corporations to impose low working conditions.

An aspect of competition, which this book does not explore is whether it is the developing countries which are mostly competing with other developing countries and developed with developed countries in terms of the nature and composition of their production. We also need to examine why exactly this great need for foreign investment. Where does it come from?

In today's world, there is a surfeit of capital. Still it behaves like a scarce commodity extracting concessions and high price. Can the capital and should the capital be raised locally?

The authors go on to point out that such competition renders doubtful the 'free-trade' argument that competition in a globalised economy benefits all since it produces the goods more efficiently. The doctrine of free trade says that each country has a natural advantage in terms of producing certain categories of goods. This advantage should be used by the country to produce these goods

not only for themselves but for the world market and they can do it more efficiently than others. The goods for which the country does not have a comparative advantage, it should buy from others. Each nation can use its 'comparative advantage' to enhance its 'national competitiveness'.

This will work to everybody's advantage provided free-trade exists between nations. This doctrine assumes that natural advantage is something given once for ever. Actually, comparative advantage changes with changes in economies and also the world-order. India was exporting textiles to England, then England developed the industry and started exporting textiles to India. We saw how the U.S. creates comparative advantage by developing new technologies. We also saw the natural advantage of third world countries coming to nought in the face of unequal trade. Now we are seeing nations competing to give 'comparative advantage' to corporations.

The authors discuss the 'flaws in the globalisation debate'. We can not really talk of trade between different countries since the production and sale of goods is spread over multiple countries and corporations have complex alliances and networks spanning many locations. Which country is exporting Nike shoes, or Ford cars?

The authors argue that responses to globalisation inspired by nationalism are not likely to succeed. An excessive focus on national sovereignty undermines efforts to impose better rules on the global economy. They advocate transnational forms of regulation (p. 77) that will limit national sovereignty, supported by a global civil society with identities and loyalties transcending the nation.

The authors ignore the vital role of 'nations' in the scheme of global governance. If nothing else, nation-states serve the purpose of controlling the population within certain areas. Migrations are chanelled and determined by the needs of developed economies. They do not want to be swamped by the populations of developing countries. And the cost of this control is borne by the native populations of those countries themselves through their government.

Another role the nation-states play is to shelter the institutions of global governance like the WTO and the developed states from accountability to the populations of third world. Nationalism also helps in perpetuating continuous low intensity conflict thus making global control and intervention easier and profitable to boot.

They also don't consider the solidarity among the 'developed' in order to retain the privilege and the military role of the U.S. and allies in the New World order. In short, they ignore the reality of a global social system that is in place and the important role nation-states play in this social system.

Globalism and the Left

(by **A. Sivanandan** in *Race & Class*, Vol.40 No.2-3, October 98-March 99)

Globalisation is a process, not a concept, globalism is the project. And the project is imperialism.

Quite clearly, the technological revolution of the past three decades has resulted in a qualitative leap in the productive forces to the point where capital is no longer dependent on labour in the same way as before, to the same extent as before, in the same quantities as before and in the same place as before. Its assembly lines are global, its plant is movable, its work-force is flexible. (p.8).

All of which means, that the relations of production between capital and labour have changed so fundamentally that labour (in the developed capitalist world) has lost a great deal of its economic clout, and with it, its political clout.

Sivanandan is referring in these quotes from his article to technological developments, especially the new information and communication technologies, which have changed the basic nature of capitalism, by changing the relations between labour and capital that employs labour. Greater automation of production requires less labour. Better information and communication systems, help

capital to be mobile without losing control. The nature of production also changes with the increasing use of new technologies in that the work required is of a different kind, more to do with manipulating data and information, and less to do with physical labour. Wherever physical labour is required, it can be got from the third world. So all these changes amount to a change in the nature of capitalism itself rather than just the expansion of capitalism to cover the whole globe.

The nature of the nation-state is also changing. *Now the nation cannot call the state its own ..... There is not one area of a country's state or civic structure that has not been altered to provide for the free play of global capital.* The author criticizes those left-wing analyses, which see globalisation as the predictable universalisation of capitalism. He considers globalisation, or the drive towards globalism (which is a kind of imperialism) as mainly driven by the new information technology and intensifying oppression and exploitation in the third world countries. The point of such debates is in finding out the ways and means of organising people to effectively counter the threats of globalisation.

He is arguing in response to people who contend that globalisation does not fundamentally change the world situation with respect to third world, since in any case most of the foreign direct investment (FDI) and trade takes place within the developed world itself and increases in foreign investment and international trade are considered indicators of a globalised economy. He says:

a) It is immaterial that FDI is concentrated in advanced capitalist countries, with capital moving from one such country to another (Why shouldn't it be – since the return is greater in the skilled, high technology end of production, and surplus value is greater at the unskilled labour-intensive end of production). The point is that, irrespective of the size of investment, the surplus value that capital makes in third world is well-nigh absolute and casts the workers into lower depths of drug-pushing, prostitution and child-slavery.

It is immaterial too, that, as at the early 1990's over 80% of the world trade was conducted between the Western members of the OECD. The point is that such trade 'continues the pattern of unequal exchange or a mechanism for the reproduction of global inequalities. (p. 8-9)

b) Liberalisation through GATT was all in one direction: South to North. *A number of side agreements ensured that richer countries retained the right to exclude textiles and agricultural products from the GATT ambit, the two areas that affected the third world countries the most. Now we have MAI.*

We need a socialism that, in proclaiming 'the subordination of the economy to society' (as opposed to the market philosophy which subordinates society to the economy), throws up a political culture that reverses the values of the market and establishes instead the worth and dignity of human life. We need a socialism that puts politics in command.

Asian Economic Implosion

(by **Walden Bello** in *Race & Class*, Vol.40 No. 2-3, October 98-March 99, pages 133-43)

Thailand, Malaysia, Philippines, Indonesia, and Korea suffered financial crises over last couple of years. Walden Bello provides vignettes from the scene:

- *What Koreans call 'IMF suicides' are said to be on increase in Seoul [capital city of South Korea] these days. This phenomena refers to males who are laid off taking not only their own lives but also those of their wives and children, presumably out of a belief that no one will be left to care for them. It reminds us of 'farmers' suicides' in India itself.*

- Earlier this year [1998], Thais woke up to television images of workers battling police in the streets, then being herded prisoner-of-war style into police vans. Viewers thought that the scenes

were from Korea and were surprised to learn that they were from Thailand, a country well-known for its non-confrontational culture.

- In Indonesia, the economy is expected to contract by 15 to 25 % in 1998, but there is a silver lining to this tragedy: the government's decision to implement an IMF directive to end energy subsidies last May provoked a mass uprising that overthrew the Suharto dictatorship.

Of course then one read about the Western world's outrage at human rights violations by the government in its attempt to quell the uprising. I witnessed the people of Thailand praying for national recovery in temples all over the country at an appointed time, televised by the BBC.

The cause of this crisis is 'Crony Capitalism' according to *The Economist*, *The Wall Street Journal* and the IMF. The Economist and The Wall Street Journal are two of the leading business publications of the western world, which naturally support the processes of globalisation.

Crony Capitalism means:
- Lack of transparency in financial institutions.
- Government-business relationship permeated with corruption.
- Non-accountability of political & economic authorities.

But these things existed through the period of high growth in these economies too and they exist in other forms in other countries as well e.g. 'political action committees' (PAC's) that offer support to politicians contingent on favour to corporate interests in the U.S.

The major reason for the crisis, according to Walden Bello, was the unregulated flows of global capital. This is how it happened:

These countries have followed a path of export-oriented growth dependent on foreign investment (and not on domestic savings and investment). When the flow of Japanese FDI began to taper off in the early nineties, these countries looked to portfolio investors and big international banks who were anyway searching for alternatives to the low interest rates and declining returns in the stock markets of New York, London and Tokyo. And the IMF played the role of the intermediary.

The IMF forced these countries to liberalise the capital accounts and worked out two more conditions: higher interest rates and local currency pegged to the dollar. But if the currency was pegged to the dollar (to ensure investors against the risk of devaluation), the exports became uncompetitive, and exports were the engines of these economies' growth. Moreover, bulk of the capital was speculative seeking high returns quickly. With little regulation existing, this capital moved towards stock markets, consumer financing and, in particular, real estate. Even manufacturers channelled their capital to these sectors rather than into R & D, which might have led to better quality products thus offsetting the relatively uncompetitive prices. The exports went down. The investors began to worry and started to get out. *Thus were millions of bahts chasing a few dollars.*

What this phrase means is that investors wanted to sell off their holdings in bahts and aquire dollars instead, since the exports were suffering and they did not have confidence that the would continue to be pegged to the dollar. Once they started selling off the baht, others followed thus leading to an exodus of dollars.

At this point currency speculators jumped in. They offloaded massive amounts of baht (the thai currency) for dollars, therefore really plunging the economy in a crisis. The baht was devalued. The other east Asian countries experienced the same loss of value of their currency.

There was an effort by Japan to set up an Asian Monetary Fund. Japan backed out because of U.S. pressure. The IMF, instead of

stabilising the region seized the opportunity under a U.S. directive to batter down the tariff and investment barriers to U.S. exports and capital.

How could have the 'Fund' helped? By "defending Asian currency from investor panic and further speculative attack.". Later on, the IMF assembled a rescue package of $120 billion for Korea, Indonesia and Thailand but faced criticisms:

a) The IMF itself was responsible for the crisis by promoting indiscriminate capital account liberalisation. And post-crisis, its stabilisation programme is pushing the same thing again.

b) The IMF bailouts are meant more for the international investors who can be paid by the borrowing countries, thus sparing these investors the penalties of the market.

c) The IMF is serving the U.S. bilateral policies with these countries. (E.g. in the case of Korea the U.S. Treasury Dept. & the IMF have not even concealed their close working relationship).

But, according to the author, the most powerful criticism is that the IMF is imposing the wrong solution.

The IMF prescribes the maintenance of high interest rates and significant cuts in government expenditures, leading to recessionary trends. If the intention is to bring back foreign investment, how could this happen by engineering a recession that promises little or no profit? Economies of Thailand, Korea and Indonesia are showing the effect of the stabilisation programmes of the IMF. It has led to massive unemployment and increase in poverty (p. 134).

The author points toward certain solutions. In the short term:

- Regional co-operation and solidarity along with reserve rich countries – Japan, China, Taiwan, Hong Kong and Singapore.

- Domestic policy to reduce interest rates and the use of currency controls to stabilise exchange rates.
- Generally, the state vs. market dichotomy should be avoided.

In the long term *while the market and state must continue to play a vital economic role, the fundamental mechanism of production, distribution and exchange will have to be located elsewhere – democratic decision-making by communities, civic organisations and people's movements. The challenge is how to operationalise such institutions of economic democracy.*

The author's strategy for east Asia:

Foreign investment should by direct foreign investment because "the short-term capital inflows… all they do is to finance asset inflation (stocks and real estate) and a nation is arguably better off without them. Moreover, the FDI should be of the right kind which increases technological capacity, respects labour standards and does not degrade the environment.

But growth must be financed principally from domestic savings and investment and this requires a progressive taxation system in place of the current one in the region, where income tax-payers are few and indirect taxes that cut into the resources of low-income groups are the principal source of government expenditures.

Domestic market should be the engine of growth and not the export-markets. This over-dependence on export-markets has led to vulnerability to global changes and to the self-defeating race of "exporting one's way out of the market".

This requires the 'Keynesian' strategy of bringing more consumers into the market via a programme of asset and income redistribution. The author does not analyse why previous such attempts in the third world have failed. He also does not indicate how these steps are going to lead to a democratisation of the economy.

A DIFFERENT FUTURE: SOME EXCERPTS

What is useful Social Labour?

(Excerpted from *Reflections on Marx's Critique of Political Economy:* A Publication for Collectivities, 1997)

If a person can find an employment with corporations, state or other such frightful entities, then he/she is deemed to be doing useful social labour. This useful social labour might be making light pistols or bullet proof jackets; atom bombs or nuclear shelters; fertilisers or junk food; garments or movies; books or television sets... [this is hardly a definitive list, please feel free to add your own list of useful social labour].

Labour, in our times, becomes useful and social only when it, or its product, can be sold – whether to the state, to corporations, to the academia, production houses or publishing groups, hospitals or schools, ancillary production units or large happy families. If one has qualities and desires to do things for self or others but is unwilling to sell that ability to do labour, then that person forfeits his/her rights even for survival. And is deemed to have become unemployable: i.e. useless. He/she becomes an embodiment of useless social labour, fit to be humiliated, abused but, also, feared.

What is termed as useful social labour is basically the system's demand on labour to perpetuate the rule of surplus produce extractors and their hierarchical social structures.

Capitalism is also a social system and so it must fulfill certain human needs. Our scrutiny and investigation of the balance-sheet of the total produce of humanity has produced some startling findings and obvious inferences.

Findings

1. Ninety-four percent of total produce of humanity is used for the maintenance and perpetuation of hierarchies.
2. More importantly, six percent of the global produce presently suffices for the nourishment and sustenance of the whole of humanity.

Inferences

1. If we are able to remove hierarchies, we just won't need ninety-four percent of the produce that takes place today. Consider anything anywhere from medicine to steel, paper to police-stations, elections to olympics, and erase what is required for the maintenance and perpetuation of hierarchies - we will be left with six percent.
2. With the erasure of hierarchies our work-load will be reduced to one-sixteenth of the present load. This by itself will enormously enrich human life and open up diverse arenas of creativity and freedom. Festivals with month-long festivities will resurrect.
3. With ninety-four percent of the production done away with, environmental degradation will dramatically diminish and give humanity a long enough breathing space to re-think, re-cast and re-create its production processes to sustain a harmonious human-nature relationship.

Plan X and the Alternative

(Excerpted from *The Year 2000* by Raymond Williams; written in 1983)

It is usually taken for granted that to think about the future, as a way of changing the present, is a generous activity, by people who are not only seriously concerned but also, in those familiar adjectives, forward-looking, reforming, progressive. All the good ideas are on this side; all the bad or disappointing practice on the other. There is a question of how far we can go on with this easy assumption. As things now are, all the good ideas, and especially the ways in

which they connect or might connect with how people are actually living, have to be rigorously re-examined.

Yet there is also another check to the assumption. It used to be taken for granted that the opposing forces were not themselves forward-looking: that they were, in those equally familiar adjectives, conservative, regressive, reactionary. Many of them indeed still are, but we misread the current situation if we rely on this easy contrast. There is now a very important intellectual tendency, with some real bases in political power, which is as closely concerned with thinking and planning the future as any reforming or progressive group. Within this tendency the signals are not being jammed but are being carefully listened to. Yet there is then the deliberate choice of a very different path: not towards sharing the information and the problems, or towards the development of general capacities to resolve them. What is chosen instead, intellectualy and politically, is a new hard line on the future: a new politics of strategic advantage.

I call this new politics 'Plan X'. It is indeed a plan, as distinct from the unthinking reproduction of distraction. But it is different from other kinds of planning, and from all other important ways of thinking about the future, in that its objective is indeed 'X': a willed and deliberate unknown, in which the only defining factor is advantage. It is obvious that this has connections with much older forms of competitive scheming and fighting, and with a more systematised power politics. There are all too many precedents for its crudeness and harshness. But what is new in 'Plan X' politics is that it has genuinely incorporated a reading of the future, and one which is quite as deeply pessimistic, in general terms, as the most extreme readings of those who are now campaigning against the nuclear arms race or the extending damage of the ecological crisis. The difference of 'Plan X' people is that they do not believe that any of these dangerous developments can be halted or turned back. Even where there are technical ways they do not believe that there are possible political ways. Thus while as a matter of public relations they still talk of solutions, or of possible stabilities, their real politics and planning are not centred on these, but on an

acceptance of the indefinite continuation of extreme crisis and extreme danger. Within this harsh perspective, all their plans are for phased advantage, an effective even if temporary edge, which will always keep them at least one step ahead in what is called, accurately enough, the game plan.

The first obvious signs of Plan X politics were in the nuclear arms race, in its renewal from the mid-1970s. It was by then clear to everyone that neither staged mutual disarmament (the professed ultimate aim) nor any stable strategic parity (the more regular political ratification) could be achieved by the development of radically new weapons systems and new levels of overkill. Many sane people called these new developments insane, but within Plan X thinking they are wholly rational. For the real objective is neither disarmament nor parity, but temporary competitive advantage, within a permanent and inevitable danger.

There were further signs of Plan X in some of the dominant responses to the rise in oil prices. Other groups proposed a reduction in energy consumption, or a reduction in dependence on oil, or negotiations for some general stability in oil and other commodity prices. Plan X people think differently. Their chosen policy is to weaken, divide and reduce the power of the oil producers, whatever the long-run effects on supply, so that a competitive advantage can be retained. To argue that this cannot be a lasting solution is to miss the point. It is not meant to be a lasting solution, but the gaining of edge and advantage for what is accepted, in advance, as the inevitable next round.

Again, Plan X has appeared recently in British politics. As distinct from policies of incorporating the working class in a welfare state or of negotiating some new and hopefully stable relationship between state, employers and unions (the two dominant policies of post-1945 governments), Plan X has read the future as the certainty of a decline in capitalist profitability unless the existing organisation and expectations of wage-earners are significantly reduced. Given this reading, Plan X operates not only by ordinary pressures but where necessary by the decimation of British industrial capital itself

This was a heavy and (in ordinary terms) unexpected price to pay, but one which had to be paid if the necessary edge of advantage was to be gained or regained. Again many sane people say that this policy is insane, but this is only an unfamiliarity with the nature of Plan X thinking. Its people have not only a familiar hard drive, but one which is genuinely combined with a rational analysis of the future of capitalism and of its unavoidable requirements.

In this kind of combination, Plan X people resemble the hardest kinds of revolutionary, who drive through at any cost to their perceived objectives. But the difference of Plan X from revolution is that no transformed society, no new order, no lasting liberation seriously enters these new calculations, though their rhetoric may be retained. A phase at a time, a decade at a time, a generation at a time, the people who play by Plan X are calculating relative advantage, in what is accepted from the beginning as an unending and unavoidable struggle. For this is percentage politics, and within its tough terms there is absolute contempt for those who believe that the present and the future can be managed in any other way, and especially for those who try to fudge or qualify the problems or who refuse the necessary costs. These wet old muddlers, like all old idealists, are simply irrelevant, unless they get in the way.

Does it need to be said that Plan X is dangerous? It is almost childish to say so, since it is, in its own terms, a rational mutation within an already existing and clearly foreseeable extremity of danger. There is often a surprising overlap between the clearest exponents of Plan X and their most determined political opponents. The need for constant attention to the same kinds of problem, and for urgent and where necessary disturbing action in response to them, is a common self-definition by both groups. The difference, and it ought to be fundamental, is that Plan X is determined solely by its players' advantage. Any more general condition is left deliberately undefined, while the alternative movements see solutions in terms of stable mutual advantage, which is then the principle of a definable and attainable general condition: the practical condition which replaces the unknown and undefined X.

If we put it in this way the general choice ought to be simple. Yet we are speaking about real choices, under pressures, and we have then to notice how many elements there are, in contemporary culture and society, which support or at least do not oppose Plan X. Thus the plan is often presented in terms of national competitive advantage: 'keeping our country a step ahead'. In these terms it naturally draws on simple kinds of patriotism or chauvinism. Any of its damaging consequences to others can be mediated by xenophobia, or by milder forms of resentment and distrust of foreigners. Very similar feelings can be recruited into the interests of a broader alliance, as now commonly in military policy. Again, at a substantial level, there is a deep natural concern with the welfare of our own families and our own people. That they at least should be all right, come what may, inspires extraordinary effort, and this, in certain conditions, can appear as Plan X. Moreover, from the long experience of capitalist society, there is a widespread common sense that we have always to look to our own advantage or we shall suffer and may go under. This daily reality produces and reproduces the conditions for seeing Plan X as inevitable. It has then made deep inroads into the labour movement, which was basically founded on the alternative ethic of common well-being. When a trade union argues for a particular wage level, not in terms of the social usefulnes of the work but, for example, in terms of improving its position in the 'wages league table', it is in tune with Plan X.

There are also deeper supporting cultural conditions. Plan X is sharp politics and high-risk politics. It is easily presented as a version of masculinity. Plan X is a mode of assessing odds and of determining a game plan. As such it fits, culturally, with the widespread habits of gambling and its calculations. At its highest levels, Plan X draws on certain kinds of high operative (including scientific and technical) intelligence, and on certain highly specialised game-plan skills. But then much education, and especially higher education (not only in the versions that are called business studies) already defines professionalism in terms of competitive advantage. It promotes a deliberately narrowed attention to the skill as such to be enjoyed in its mere exercise rather than in any full sense of

the human purposes it is serving or the social effects it may be having. The now gross mutual flattery of military professionalism, financial professionalism, media professionalism and advertising professionalism indicates very clearly how far this has gone. Thus both the social and cultural conditions for the adoption of Plan X, as the only possible strategy for the future, are very powerful indeed.

At the same time Plan X is more than any one of these tendencies; it is also more than their simple sum. To emerge as dominant it has to rid itself, in practice, whatever covering phrases may be retained, of still powerful feelings and habits of mutual concern and responsibility, and of the very varied institutions which support and encourage these. Moreover, to be Plan X, it has to be more than a congeries of habits of advantage, risk and professional play. This is most evident in the fact that its real practitioners, still a very small minority, have to lift themselves above the muddle of miscellaneous local tendencies, to determine and assign genuine major priorities. At the levels at which Plan X is already being played, in nuclear-arms strategy, in high-capital advanced technologies (and especially information technologies), in world-market investment policies, and in anti-union strategies, the mere habits of struggling and competing individuals and families, the mere entertainment of ordinary gambling, the simplicities of local and national loyalties (which Plan X, at some of its levels, is bound to override wherever rationally necessary) are in quite another world. Plan X, that is to say, is by its nature not for everybody. It is the emerging rationality of self-conscious elites, taking its origin from the urgent experiences of crisis-management but deliberately lifting its attention from what is often that mere hand-to-mouth behaviour. It is in seeing the crises coming, preparing positions for them, devising and testing alternative scenarios of response, moving resources and standbys into position, that it becomes the sophisticated Plan X.

The name this powerful tendency, and to examine it, is not to propose what is loosely called a conspiracy theory. There are many political conspiracies, as we eventually learn when at least some of

them are exposed, usually after the event. Elements of Plan X are inherently conspiratorial. But we shall underestimate its dangers if we reduce it to mere conspiracy. On the contrary, it is its emergence as the open common sense of high-level politics which is really serious. As distinct from mere greedy muddle, and from shuffling day-to-day management, it is a way – a limited but powerful way – of grasping and attempting to control the future. In a deepening world crisis, it is certain to strengthen, as against an older, less rational, less informed and planned politics. But then the only serious alternative to it is a way of thinking about the future, and of planning, which is at least as rational and as informed in all its specific policies, and which is not only morally much stronger, in its concern for a common wellbeing, but at this most general level is more rational and better informed. For the highest rationality and the widest information should indicate a concern for common well-being, and for stable kinds of mutual general interest, as the most practical bases for particular well-being and indeed for survival.

Principles for Reorganisation of Economy

The principles that matter are as follows. First, we have to begin, wherever we can, the long and difficult movement beyond a market economy. Second, we have to begin to shift production towards new governing standards of durability, quality and economy in the use of non-renewable resources. Third, and as a condition of either of the former, we have to move towards new kinds of monetary institutions, placing capital at the service of these new ends.

These principles are very general, but some specific cases look different in their light. Thus, if we begin the movement beyond a market economy, it is by no means inevitable, as the capitalist orde now threatens, that many or even most industrial assembly processe should be moved out of the old economies. Not is it inevitable tha transformation-manufacturing processes should be similarly move out. On the contrary, the decisions about any of these would b subject to a different kind of accounting. The most obvious nev reference point would be the relation of any of these processes t

indigenous resources. It is only the capitalist accounting of cheap labour elsewhere that is exporting many kinds of assembly. On the other hand, processes which centrally depend on the import of major raw materials would be among the first to be transferred to those economies which could radically improve their own livelihoods by their own indigenous manufacturing and processing. There would doubtless be exceptions and anomalies, as these long shifts are negotiated, but if the principle of moving beyond the market economy is taken seriously such shifts have to be made. They can be accounted as losses in the old industrial economies, as many of them would necessarily be. But there can be corresponding gains, not only in some productive transfers to new advanced technologies, developed in relation to actual indigenous resources, but also in the retention of many kinds of assembly and manufacture which would otherwise, by the operations of the now dominant global market, be transferred elsewhere. They often become a false priority in those other societies, which could better determine alternative kinds of development from their own resources and needs. It follows, inevitably, that equitable kinds of mutual protection would then have to be negotiated, as alternative to the destructive interventions which the market, following only its own criteria, would otherwise quickly impose.

Again, in the new emphases on durability, reclamation, maintenance and economy of resources, there are some immediate losses that would have to be negotiated. A significant part of current production is oriented by the market towards relatively early obsolescence and replacement, and many jobs depend on these cycles. Yet it is only the false accounting of the market system that makes reclamation now economically marginal, and it is probable that in many processes the result of the different emphases would be a broadly comparable area of work but with many quite basic real savings. The examples of badly-made and short-term houses, furniture, toys, cars and a whole range of everyday equipment are already clear, from our experience as users. There have been sharp declines in quality over a range even of genuine short-term goods, from bread to iron-mongery. The market pressures for cheap standardised production

based on minimal adequacy and early replacement have distorted the common sense of a whole economy. In certain sectors of the market, of a relatively privileged kind, this lesson has already been learned and there has been a movement towards greater quality and durability, avoiding the selling routines and devices of the 'mass' market. But to generalise this would mean gaining control over the central production processes, rather than the best that is now, within market terms, foreseen, of extending the 'quality' market. This is not, except in a very few areas, a return to 'crafts'. On the contrary, it is mainly a redirection of available and new advanced technologies to the priorities of production rather than the priorities of marketing. A wholly unreasonable proportion of technical development has been assigned to improvements in marketing – now the leading edge of the whole system – rather than to the improvements in production – durability, quality, economy – which will be centrally necessary in the material conditions which lie ahead of us.

There can be no changes of these kinds unless there is a successful challenge to the monetary institutions which, centred on a financial rather than a material world, and predominantly oriented to short-term profit, now sustain what should be seen as obsolescent economies. A large part of contemporary capital is now socially generated, through taxation, savings, insurance and pension funds, over and above the direct capitalist generation through surplus value. It should then be axiomatic that these are subject to direct social controls, for investment in a different kind of economy. But it is very doubtful if this can be achieved by any of the older socialist methods, and especially by procedures of state centralisation. The most promising way forward is through a combination of new kinds of auditing of resources, within self-determining political areas, with a related auditing of available monetary resources of these kinds. Instead of the existing and uninviting alternatives of state or corporate appropriation, there should be a linked process, democratically discussed and determined, of the actual planning of physical investment and the allocation of funds. Production and service decisions should be determined by locally agreed needs, and monetary investment similarly determined by local retention of its

own self-generated funds. In the long and complex negotiations towards this radically alternative system there would undoubtedly have to be arrangements for transfers between relatively advantaged and disadvantaged areas. This process, structurally very similar to the complex negotiation of income transfers in quite new conditions of employment, will be the central political problem of the coming generations. But it has only to be compared with the predictable results of the existing alienations and appropriations of capital, and of the consequent dislocations and widening inequalities within and between societies, to stand out as necessary, and to generate the will to find new procedures.

All these changes would be occurring within the radical changes in working habits already discussed. The market economy, left to itself, will continue to produce massive redundancies, including of whole societies, which it has not the least chance of regulating and compensating by any orthodox political means. At the same time, in its current dominance, it is inducing fatalism by its ideological insistence that its processes, and its alone, are 'economic'. In fact, through the linked development of shorter working time and of new schemes of education and retraining, and through the new procedures of locally audited decisions on the kinds of work undertaken, there is every chance of making, even in very diverse and sometimes unfavourable circumstances, stable and equitable economies in which all necessary work is reasonably shared. Genuine labour-saving in certain kinds of production could be linked with a necessary expansion in all the caring services – themselves typically labour-intensive and relatively economical in resources and especially imported resources. But this can happen only if there are new kinds of linkage between production and expenditure, cutting out the institutions that now appropriate and distribute them by their own alienated priorities. What could be a major opportunity for easing the strains of work without discarding large numbers of people will be seized only if this kind of commitment to a directly determined social order, rather than to either corporate capitalism or a centralised socialist command economy, begins to grow from a popular base.

It is here that the assessment of political resources for so different a social order is at its most critical point. There is really only one sector in which these alternative kinds of thinking and planning can be effectively developed, and that is in the trade unions and professional associations. Many kinds of expert help – scientific, technical and economic –will be needed. But none of it can happen, in the necessary practical ways, unless trade-union organisation, now typically oriented to corporate-capitalist and national scales, becomes more flexible in two new directions: first in direct relations with effective smaller-scale political communities; and second, in extended relations with the international labour movement.

There are already some signs of such developments. But there is bound to be a long and difficult transition from the existing kinds of state-centred and industry-centred organisations and priorities. The signs of change, understandably, are occurring in crisis-hit enterprises-as in the alternative production plans of the Lucas Aerospace shop stewards – or in areas which already have some distinctive political identity and have been especially hard hit by the current depression – Scotland, Wales, London, the English North-East. The political problem is to extend and generalise these early shifts of direction, beyond the emergencies which now govern them, until there is a labour movement of a new kind, determined to take direct responsibility for the organisation of work and resources, and capable of taking such responsibility, through new kinds of open and qualified research and planning.

In fact the extension of the trade-union movement to workers in some of the most complex areas of technology, management and finance offers a real possibility of this kind of cooperative transformation. At every level this would be very different from the reproductive and defensive strategies which are still dominant. These old strategies, excluding broader public considerations or merely projecting them to an incompetent all-purpose political party, now hold the movement back from the real work it has to do.

It is in what will happen in this central economic area that the future of the social order will be determined. Once there is significant movement here, the alternative movements and campaigns which can alone make general sense of the kind of society which an alternative economic order must serve will move into a radically different set of political relationships and possibilities.

From Overconsumption to Sustainable Community

(Excerpted from *When Corporations Rule the World* by David C. Korten, 1995)

Now lets consider a number of possible contemporary predictions in line with the agenda of the Ecological Revolution. Most of us would conclude that anyone foolish enough to predict that any of the following might occur within the next five years had taken leave of his or her senses. Yet in each case, ask just one question before jumping to this conclusion: is it any more preposterous to suggest that this event may occur by the year 2001 than it would have been to suggest the possibility of any of the above-mentioned events [events associated with the rise of globalisation] happening even as little as three years before their actual occurrence?

- International arms sales will be banned and the world's major armies dismantled in favor of a small unified UN peace-keeping command.
- Japan, the United States, Canada, Germany, and a number of other European countries will levy a 50 percent tax on advertising to finance consumer education on the merits of frugality and research on how to eliminate the growth imperative from the national economy.
- Current national income accounting systems based on returns to business enterprises will be replaced by systems that measure economic performance on the basis of human needs met and the enhancement or depletion of a country's human, social, and natural capital stock.

- A rigorous international antitrust agreement will be signed by the world's nations, and aggressive implementation of its provisions-combined with a rush of community and worker buyout initiatives will break up most of the world's larger transnational corporations and convert their components into community-and employee-owned enterprises serving predominantly local markets.

- Massive agrarian reform initiatives will break up corporate and other large agricultural holdings nearly everywhere and convert them into family farms serving local markets, using bio-intensive Agricultural methods and recycling organic wastes.

- Ninety percent of the debts of low-income countries will be repudiated or forgiven, and long-term international borrowing will be sharply curtailed.

- A drastically downsized World Bank will be converted into a technical assistance agency melded into the United Nations Development Programme to function under UN auspices as an advisor to countries on how to become less trade dependent and localise their economies.

- The IMF and the General Agreement on Tariffs and Trade-World Trade Organisation will be replaced by UN agencies under the authority and supervision of the UN's Economic and Social Council and will be engaged in rewriting international finance and trade policies to support economic localisation within a framework of global cooperation.

- Several thousand indigenous cultures previously on the verge of extinction will be revived and flourishing.

- The industrial countries will reduce their per capita consumption of nonrenewable energy by 50 percent, and sales of new gasoline-powered automobiles will fall in the industrial countries by 75 percent with the phase-in of solar conversion and the

redesign of urban habitats to facilitate walking, bicycling, and public transit.

- The world's major fisheries will be well on their way to recovery under regimes of sustainable management carried out by resource management cooperatives made up of small-scale family fishing enterprises.

- An international agreement will make the patenting of life-forms illegal, and an international authority will be established, funded by a tax on international capital movements, to purchase rights to the most socially and environmentally beneficial technologies, place them in the public domain, and facilitate access to them by anyone in the world who wishes to put them to beneficial use.

- A number of national and international business organisations representing many of the world's largest corporations will voluntarily accept codes of conduct that include capping executive salaries at a level no greater than twenty times that of the lowest paid worker any where within a firm's global production network, reducing nonrenewable energy use to 25 percent of 1995 levels by 2010, and achieving 90 percent product life-cycle recycling by the same year.

- Most countries will eliminate taxes on incomes and basic consumption up to the levels required for a comfortable subsistence in favor of taxes on resource extraction, international movements of money, luxury consumption, upper-level incomes, and inheritances.

- More than half of the world's countries will have policies that convert the productivity gains of mechanisation and automation into a twenty-hour workweek and a guaranteed income.

- Most exclusionary fundamentalist religious sects preaching fear and intolerance will fall into obscurity in the face of an

ecumenical movement born of the widespread inner spiritual awakening to the unity of life and consciousness.

- Most women and men will be sharing equally in household and voluntary community duties.

- All but 500,000 of the world's refugees will be permanently and peacefully resettled-most in their countries of origin.

- Most of the world will embrace the norm of the two-child family, with the endorsement of the Catholic Church and other major religious bodies.

- Political party structures will be realigned in most countries, and grassroots political movements born of concern for democratic accountability, social justice, and environmental sustainability will be flourishing-with many people from ordinary walks of life contesting and winning election to both local and national office.

Absurdly unrealistic? Yes, but no more so than many of the unlikely advances of the past few years. Am I offering these as predictions? No, but they are among the possibilities that we may wish to include on our agenda for change.

Sources used for writing this book

This book has been written by a person not formally trained in economics. We were using some of the material available at the Centre for Education and Documentation (CED) to gain an understanding of the contexts within which one can understand the phenomenon of globalisation. We would gravitate toward certain books or articles in search of clarity on some issue or the other. So the sources that we mention below are mostly the sources we actually used in the process of writing this book. We have given CED's accessibility code in square brackets, so that you can easily locate the reference in CED. These represent a very small fraction of the material we have in CED alone on topics related to globalisation, which is a small fraction of all the material available on globalisation. Nor would we say that these are the best materials on given topics. But we certainly found them very helpful in understanding the background of and concepts in globaliSation.

INTRODUCTION

One of the best general introductions to globalisation we have come across is *Global Village or Global Pillage* by Brecher and Costello [B.U00.B3]. They give a concise historical background to the global economy and write consciously for a broad audience. A major flaw in their exposition is the lack of any in-depth discussion of the First World-Third World divide and its significance for globalisation.

A recent critical account of globalisation written in a racy style with many anecdotes and facts, is *One World Ready or Not* by William Corieder [B.U00.G1]. Arjun Makhijani's *From Global Capitalism to Economic Justice* [B.Q10.M4] is a very good attempt at a synthesis of the capitalist, colonial and environmental dimensions of the global war-system, as he calls it. Noam Chomsky's *Profits over People*[B.U00.C8] is very good for an exposition of U.S. strategies in globalisation and for showing how 'actually existing capitalism' of today is different from the laissez-faire utopia of Adam Smith.

Amit Bhaduri and Deepak Nayyar explain the circumstances of liberalisation in India's context in their work *An Intelligent Person's Guide to Liberalisation.*[R.U00.621] Kidron and Segal's *What You Need to Know About Business Money and Power* [B.U00.K1] is an excellent guide to the world of international business, even though it is written before the time of globalisation proper. Various articles by Prabhat Patnaik appearing in the journal *Social Scientist* provide rigorous analyses of trends associated with globalisation. His book *Whatever Happened to Imperialism and Other Essays* [B.Q32.P3] contains some of his articles published over the years. Raymond Williams wrote a book called *The Year 2000* in the early eighties in which he attempted to visualise the future in the light of emerging trends. Though he never uses the word globalisation, the essays in this book offer incisive tools to understand the various aspects of globalisation. His foresight should be evident from the excerpt from his book that we reproduce in this book.

Following special issues of various journals is perhaps the best way to appreciate the full complexity of globalisation and the debates around it:

'Threat of Globalism', Special issue of *Race & Class*, Vol.40 Nos.2-3, October 98-March 99. (Apart from the article from this issue discussed in our chapter 'Glimpses of Recent Writings and Debates', see especially "Where do You Want to Go Today: The Rise of Information Capital" by Arun Kundnani and the interview with Angela Davis on the Prison-Industrial Complex.)

'Economics of Global Turbulence' by Rober Brenner, Special issue of *New Left Review*, No. 229, May-June 98. The whole issue comprises just this essay by Brenner where he examines the economies of the industrialised world since the Second World War and concludes that it was the conflicts and competition within and between capitalist economies which led to the crisis of world economy.

Monthly Review, Vol.51 No.3, July-August 99. The whole issue is dedicated to an understanding of globalisation. The lead article "Unhappy Families: Global Capitalism in a World of Nation-States" by E. M. Wood describes the theme of this issue accurately.

'Globalisation & Alternatives' I, II and III, Vikalp *Alternatives*, Vol. vi &vii.

These three special issues of the journal contain articles covering a broad range of issues around globalisation.

'Globalisation and Its Fissures', Special issue of *Humanscape*

'Globalisation and Discrimination', Special issue of *Peoples for Human Rights*, IMADR Yearbook 1998 (IMADR stands for International Movement Against All Forms of Discrimination and Racism). This publication contains writings by some Latin American and Japanese scholars and activists not usually available to the mainstream.

1. GLOBALISATION, MARKETS AND CHANGING LIVES

Karl Polanyi's discussion of markets in *The Great Transformation: The Political and Economic Origins of Our Time* [B.Q13.P2] is especially good in showing the differences between the institution of markets as they exist in pre-capitalist societies and markets as created in

capitalist societies. He calls the latter 'self-regulating markets'. Chapter 6 on "The Self-Regulating Market and the Fictitious Commodities: Labour, Land and Money" can be read independently. Polanyi's discussion of how the attempt to institute a self-regulating market led to the destruction of society as it was then and the kind of debates that surrounded it is an eye-opener.

When *Polanyi* tries to explain the rise of market economy, he relies too much on the introduction of new machinery as the cause. *E. M. Wood* in her article "From Opportunity to Imperative: The History of the Market", published in MONTHLY REVIEW, criticises Polanyi's historical explanation and cites the work of Robert Brenner for an alternative explanation. *Gerald Berthoud's* article on `Market' in *The Development Dictionary* edited by *Wolfgang Sachs* [B.Q12.S4] is an excellent essay on this subject written in the context of globalisation. *Jeremy Seabrook's* article "The Market: Substitute for Democracy", published as a *Third World Network Feature*, is interesting for the implications of market on democracy. This is especially relevant because the prevailing notion is that market economy and democracy are inseparable.

For an account of how the market philosophy is raised to the level of theology by the World Bank and IMF see Miheve's *The Market Tells Them So* [B.U00a.M1]. The discussion here is in the context of structural readjustment programmes in Africa. Karl Marx's *Capital Vol. I* [B.Q21.M1] is the classic exposition of his analysis of capitalism. The first few chapters are more theoretical in nature, but the later chapters describing the emergence of capitalism are more accessible.

Our account of the creation of national markets in third world countries in the process of modernisation and/or industrialisation takes its cue from *Karl Polanyi's* account cited earlier. An exposition of globalisation in its relation to caste oppression in India can be found in From Periphery to Centre: Analysis of the Paradigm of *Globalisation Casteism Dalitism* by M. C. Raj [B.U00.R5]. *Globalisation The Tribal Encounter* by B. D. Sharma [B.L13.S6] and *Shifting Sands:*

Women's Lives and Globalisation edited by Centre for Women's Development Studies together with Raj's book will give an idea of how modernisation and globalisation impacts on different sections of society.

II. ORIGINS OF THE MODERN GLOBAL ECONOMY IN EUROPE

For a detailed reflection on the meaning and definition of 'economy' in the context of modern science of economics see C. T. Kurien's *Rethinking Economics* [B.F00.K11], though we have not really used this book in our writing. For various definitions of the state and also for several other interesting extracts from various political writings see *Political Thought* edited by Rosen and Wolff in the Oxford Readers series. Kropotkin's pamphlet *The State: Its Historic Role* [B.M00.K8] is an easy and informative read.

For an historical account of the rise of modern state and the economic philosophy called Mercantilism associated with it we have relied mainly on **Polanyi**'s *The Great Transformation* [B.Q13.P2]and **Dietmar Rothermund**'s *Asian Trade and European.*

Expansion in the Age of Mercantilism [B.U10.R2]. Polanyi's account of the creation of a domestic economy by breaking up the pattern of trade in towns and Rothermund's discussion of British trade and the debates surrounding East India Company's trade are both very accessible and interesting. Polanyi's account can be read in conjunction with Kropotkin's pamphlet, though Kropotkin may be giving an idealised version of the democracy of towns.

R. H. Tawney describes how the social and moral restrictions on business slowly withered away in his classic work *Religion and the Rise of Capitalism*.[B.L40.T7]

The best explanation of 'Balance of Payments' that we found was in Cheryl Payer's *The Debt Trap* [B.U21a.P2]. She explains the

importance of foreign exchange and the various components of 'Balance of Payments'.

Our account of the industrial revolution is from Polanyi's work already mentioned. For a detailed history of the industrial revolution see Mantoux's *The Industrial Revolution in the Eighteenth Century* [B.M00.M9]. Rothermund discusses the impetus given by international trade to the industrial revolution in his book already mentioned above. E. P. Thompson's *The Making of English Working Class* [B.H00.T1]gives the history of movements of working people in Britain in the wake of the industrial revolution. For a suggestive argument about how the assumptions of economic theory are rooted in the previous experiences of western societies, see *Genetic Assumptions of Development Theory* by Kedia and Sinha.[B.Q12.K2]

III. PHILOSOPHIES OF PROGRESS

For an intellectual history of the Enlightenment in France, see Charles Frankel's *The Faith of Reason: The Idea of Progress in the French Enlightenment*. This book describes two different philosophies of science associated with the idea of progress that emerged in this period. Paulos Mar Gregorios gives the history of the western idea of Enlightenment and counterposes it with an alternative notion of enlightenment based on Buddhist philosophy in his book *Enlightenment East and West* [B.Q31.G2]. For a modern introduction to liberalism see *Liberalism* by John Hall.[B.Q13.H1] Also see *Th Rise and Fall of Economic Liberalism* by F. Clairmont [B.U00.C1]for a critical account. This book contains a long chapter on British policie in India.

Our critique of the economic growth imperative starts from th one given in *Blueprint for a Green Economy* by Winin Pereira & Jerem Seabrook[R.E00.3] . Our discussion of the contemporary U.S economy follows the article *Major Growing Pains* by Jonathan Row in U.S. News and World Report. Rowe belongs to the organisatio

called Redefining Progress. Other publications of this organisation are relevant for this topic. Jane Kay gives an account of how automobiles came to dominate transportation in America and the devastating effect it has had on U.S. society and environment in her book *The Asphalt Nation*.

S. N. M. Abdi reports in the *Himal* magazine (May 99) the results of a study conducted on 22,000 children below the age of 12 in Bangalore, Delhi, Bombay, Calcutta, Madras, Hyderabad and Vellore to examine the effects of lead poisoning. The environmental magazine *Down to Earth* has many articles related to the pollution caused by automobiles. For connection between India's foreign debt and the consumption of petroleum products, see "The Debt-Energy Nexus: A Case Study of India" by Amulya Reddy and others which appeared in *Economic and Political Weekly* (1992, p. 1401). A well known earlier critique of the value of economic growth is *The Costs of Economic Growth* [B.F00.M12]

Archeology of the Development Idea written by Wolfgang Sachs [R.Q12.37] and *The Development Dictionary* [B.Q12.S4]edited by him, are good sources for tracing the history of the idea of development and its critique.

IV. RISE OF THE USA-LED GLOBAL ECONOMY

Our account of the Great Depression in America is from *Capitalism in Crisis* by Dick Roberts [B.Q13.R2]. J. K. Galbraith gives a simple account of the stock market crashes in modern times in his *A History of Financial Euphoria*. But his discussion is only in terms of market 'euphoria'. Unlike Dick Roberts, he does not discuss the underlying economic realities and world-wide effects of the Great Depression. *Capitalism for Beginners* by Lekachman and Van Loon [B.Q13.L1]discusses the Welfare State in detail and its transition later on to the Monetarist State. 'Overproduction' and Business Cycles and their explanations are also offered here. The listing of

various programmes under 'New Deal' is from *Global Village or Global Pillage* [B.U00.B3]. A detailed and passionate critique of Keynes' economic theories related to Welfare State can be found in Narindar Singh's *The Keynesian Fallout* [B.F00.S18].

For the Bretton Woods system in the context of creation of an international monetary regulation framework, see *Politics of International Economic Relations* by Spero [B.U00.S4]. Alexander Faire's article "The Reign of the Dollar: Hegemony and Decline" in the book *The World Economic Crisis* jointly written by Fitt, Faire and Vigier [B.U00.F4], is more explicit in its analysis of U.S. dominance. But Spero too recognises that the Bretton Woods system could work for as long as it did only because there was one country, the U.S., which was in the position of accepted leadership. Also see *International Money Game* by Aliber [B.U00c.A1] for the role of dollar in the global economy and also for a general introduction to global finance. An excellent history of the rise of the U.S. and how the U.S. dominance of world affairs is different from the older European imperialism is *America the New Imperialism: From White Settlement to World Hegemony* by V. G. Kiernan [B.Q24.K3]. The various writings of Noam Chomsky document the various aspects of the U.S. policies and actions world-wide.

Our account of the dollar question is based mainly on Faire's article mentioned above.

John Durham Peters' "Information: Notes Toward a Critical History" in the *Journal of Communication Inquiry* (Summer 1988) is our source for the history of the idea of information. See, especially, his discussion of the relation of the rise of information as a form of knowledge with the rise of the modern state. Jean-Pierre Dupuy's article "Myths of the Information Society" in the book *The Myths of Information* is a critique of the utopian pretences of the information society. Other articles in the book offer philosophical and cultural analyses of the phenomena of information and the media. Frank Webster's *Theories of the Information Society* is a detailed analysis of all the strands of information society theorising. *The*

Road Ahead by Bill Gates [B.P61.G3] gives a good account of the technological developments in the initial chapters.

Amusing Ourselves to Death by Neil Postman [B.P20.P4] is an analysis of the deterioration of social and political discourse in the U.S. on account of television. *The Global Media* by Edward S.Herman & Robert W. McChesney[Madhyam Books Publications, for sale at CED] describes the state of media in the age of globalisation. The work of Chomsky and Hermann referred to in the text is called *Manufacturing Consent* [B.P00.C5].

Teresa Hayter's *Aid as Imperialism* [B.Q24.H1]is an early classic investigating the purpose and dynamics of aid to the third world. Another book by her called *The Creation of World Poverty: An Alternative View to the Brandt Report* [B.U00.H1] is a critique of the Brandt report which itself has been published in book form and called *North-South: A Programme for Survival* [B.W01a.R4]. A pamphlet published by the Overseas Development Agency of the British Government *The Ties that Bind: U.S. Interests and Third World Development* [B.W10.S4] is interesting on the business of aid.

Underdevelopment and neocolonialism are discussed in several classic works by Andre Gunder Frank and Samir Amin. Frank's article "The Development of Underdevelopment" in the MONTHLY REVIEW of June 1989 offers an accessible introduction. *Economic Theory and Underdeveloped Regions* by Gunnar Myrdal is a very readable work on the same topic. *Neo-Colonialism: The Last Stage of Imperialism* written by African leader Nkrumah [B.Q24.N1]discusses neocolonialism mainly in the context of Africa. Hershe's Twentieth Century Imperialism [B.Q24.H5]gives a brief account of U.S. military interventions in various parts of the world, apart from discussing various theories of imperialism. Prabhat Patnaik's "Whatever Happened to Imperialism" in *Monthly Review* (42/6, 1990) is a brief essay on how we may forget imperialism, but imperialism has not forgotten us. This essay reappeared in the book with the same title mentioned earlier. Also interesting for the role of multinationals in the world economy of this period is

"Economic Nationalism vs. Global Corporations" by Girvan that appeared in the book *Trilateralism: The Trilateral Commission and Elite Planning* edited by Sklar [B.W02.S2].

For a summarising of the issues regarding the NIEO, see *The New International Economic Order: A Gandhian Perspective* [B.U00.G4] Gamani Corea provides the details of the programmes devised subsequently to help developing countries with regard to the commodity trade in his *Taming Commodity Markets: The Integrated Programme and the Common Fund in UNCTAD* [B.U10a.C1].

V. THE CRISES IN THE WORLD ECONOMY AND THE EMERGENCE OF GLOBALISATION

For the background of the crises in developed economies see the book by Fitt, Faire and Vigier mentioned earlier. *U.S. Capitalism in Crisis* by the Union of Radical Political Economists [B.U04.X1] is a detailed and accessible account of the U.S. economy in this period. We have touched very little in the text on the world economic situation of the 1980s. A good overall survey of the situation is provided in *The World Economy in the Mid-Eighties* by Research and Information System for the Non-Aligned and other Developing Countries [B.U00.R1].

Our account of the corporate agenda is based on Brecher and Costello's *Global Village or Global Pillage* [B.U00.B3]. The efforts to create consensus among the elite of the developed, capitalist economies through the Trilateral Commission can be found in the book edited by Sklar mentioned above. *When Corporations Rule the World* by David Korten [B.U00.K2] is an excellent account of the role which large corporations are playing in the global economy. Chakravarty Raghvan's *Recolonisation* [B.U11.R3] gives the background to the Uruguay round of GATT negotiations.

Globalisation is characterised by the rise of global finance and the world economy has seen several financial upheavals in recent times.

The pamphlet by Howard Wachtel called *The Politics of International Money* [B.U00c.W2] is a succint account of the meteoric rise of global financial markets and how they have come to dominate national policy-making of countries including the U.S. Wachtel ignores the symbiotic relation that the powerful states have with global markets, as brought out clearly by Fitt, Faire and Vigier. *A Citizen's Guide to the Globalisation of Finance* by Kavaljit Singh [B.U00c.S2] and *Your Money or Your Life: The Tyranny of Global Finance* by Eric Toussant [VAK Publication, for sale at CED]are attempts to explain recent financial crises to non-expert readers. The article by Robert Wade and Frank Venerzo, "Gathering World Slump and the Battle Over Capital controls" which appeared in the *New Left Review* (231, July-Aug 1998) is a good account of the responses to the financial crises in East Asia.

Our sections on the business of information and third world in the Global Information Economy is almost entirely based on Aurn Kundnani's article "Where Do You Want to Go Today? The Rise of Information Capital" which appeared in *Race & Class* (40/2-3, 1998/99). For the developments in the 'market of networks', see *The Economist* supplement on telcommunications titled "A connected world", which came with the issue of 13th September, 1997.

Third World debt is discussed in the following excellent books: *The Debt Trap: The International Monetary Fund and the Third World* [B.U21a.P2] and *Lent and Lost: Foreign Credit and Third World Development* both by Cheryl Payer, [Madhyam books Publications, for sale at CED] have been our main sources on this subject in writing this book. One of the case studies in the first of these books is on India. A report by the Canadian organisation GATT-Fly called *Debt Bondage or Self-Reliance: A Popular Perspective on the Global Debt Crisis* [R.U00d.8] is good for the general post second world war economic developments also. This report and the books by Cheryl Payer set new standards for clear and accessible writing on complex topics. *How the Other Half Dies and Faith and Credit* are two of the several books written by Susan George [B.U21.G1]which have played a very important role in informing the public about the

background and ramifications of third world debt. An article by Susan Strange which appeared in the *New Left Review* (230, July-August 1998) under the title "The New World of Debt" discusses current perspectives on foreign debts of the third world and east Europe.

We have just mentioned in passing certain features of the Indian economy and economic policy-making. See Amlan Datta's *An Introduction to India's Economic Development Since the Nineteenth Century* [B.Q30.D7]for an overview of the main issues concerning the Indian economy since colonial times. *The Political Economy of Industrialisation: From Self-Reliance to Globalisation* by Dalip Swamy [B.G00a.S2] provides an account of the debates surrounding industrialisation.

The New World Order is discussed by Noam Chomsky in his recent book *World Orders Old and New.*

VI. THE GLOBALISED WORD

Our discussion of the prison-industrial complex in the U.S. is based on Goldberg and Evans's article "Prison-Industrial Complex and the Global Economy". It came to us through the electronic mailing list of FOIL (Forum of Indian Leftists) and was attributed to BRC-News (Black Radical Congress). Also see the interview with Angela Davis in *Race & Class* (40/2-3, 1998/99). Shankar Guha Niyogi's article appeared in the Indian weekly *Frontier* a few years ago. Collections of some of his writings are available in English and Hindi published by the Chhatishgarh Mukti Morcha.

A comparison of the current world system with the apartheid system of South Africa is made, among others, by Arjun Makhijani in his book *From Global Capitalism to Economic Justice* [B.Q10.M4]. The emptiness of the notion of 'national competitiveness' in the context of globalisation is pointed out by Brecher and Costello.

The sections on the 'information revolution' and development are drawn in part from the reflection and discussions taking place at

the Centre for Education and Documentation or CED (These sections do not represent anything like the 'official view' of CED). Anthony Smith's discussion in the chapter titled "Information as Paradigm of Culture" in his book *Software for the Self: Technology and Culture* [B.L50.S6]gives a perceptive account of the rise of information as a central category in modern culture. Jeremy Seabrook's comments in the section on development are from his article "Children of the Market" which appeared in *Race & Class* (39/4, April-June 1998).

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Avinash Jha is trained in Science, Philosophy and Library Science, and has been working as a documentalist at the Centre for Education and Documentation for many years.

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